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CANWEST GLOBAL COMMUNICATIONS CORP.



INTERNATIONAL MEDIA COMPANY

1998 ANNUAL REPORT



TV3 HEADQUARTERS – DUBLIN, REPUBLIC OF IRELAND



CanWest took its initial step into the United Kingdom in 1998 with the launch in September of TV3.

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THE CORPORATE REPORT

From the investment in WIC Western International Communications to the launch of TV3 in the Republic of Ireland, and from the acquisition of Fireworks Entertainment Inc. in Canada to the increase in the Company's interest in Ulster TV in Northern Ireland, it was a busy year corporately.

Winspear Business Reference Room
 University of Alberta
 1-18 Business Building
 Edmonton, Alberta T6G 2R6

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REPORT ON CANADIAN OPERATIONS

The successful launches of Global Quebec and Global Prime TV, enhancement of service to Prince Edward Island and Canada's top domestic and international programming schedule, all combined to make fiscal 1998 the strongest year ever for Canadian operations in terms of revenue and broadcast operating profit before amortization.



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REPORT ON AUSTRALIAN OPERATIONS

Successfully restructuring the CanWest stake in Network TEN and the indirect listing of TEN on the Australian Stock Exchange dominated the year in Australia. Despite the reduction in CanWest's stake in TEN, the Company's share in the network's operating profit before amortization was up 10.5%.



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REPORT ON NEW ZEALAND OPERATIONS

A full year's contributions from TV4 and More FM Radio Network took New Zealand operations to new heights in fiscal 1998.



REPORT ON IRELAND OPERATIONS

TV3 is the Republic of Ireland's first independent, privately-owned television network and marks CanWest's initial step into the United Kingdom. The Company also acquired a 29.9% share interest in Northern Ireland's Ulster TV.

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CANWEST IN THE COMMUNITY

Whether it's supporting the performing arts, sponsoring scholarships for fledgling broadcasters, or "building a better Manitoba" through financial contributions to Winnipeg's new CanWest Global Performing Arts Centre or CanWest Global Park, the new baseball stadium, CanWest is proud to support the communities in which it does business.

**PROFILE**

- Founded and headquartered in Winnipeg, Canada.
- One of Canada's largest internationally-diversified media companies.
- One of Canada's most profitable media companies.
- Interests in television broadcasting in Canada, Australia, New Zealand and Ireland.
- Interest in radio broadcasting in New Zealand.
- Interest in television program and motion picture film production and distribution in Canada.
- Listed on Toronto Stock Exchange, October 1991 – TSE symbols: CGS.S and CGS.A.
- Listed on New York Stock Exchange, June 1996 – NYSE symbol: CWG.

CORPORATE MISSION

- Continue expanding core television broadcasting business through new development initiatives in existing markets, and by entering new markets of strategic significance.
- Continue expanding non-television media interests in the regions where the Company has already established its core television business, to support vertical integration.
- Continue increasing operating profit margins through more effective sales and marketing techniques and increased operating efficiency.
- Continue enhancing shareholder value by increasing earnings through operations and/or adding long-term capital value by acquisition and start-up.
- Continue providing viewing audiences with the best available entertainment and information programming.
- Continue producing quality domestic programming in each country where we have operations.

QUICK FINANCIAL FACTS

for the year ended August 31, 1998

- | | |
|---|----------------|
| ● Combined Revenue | \$ 871,435,000 |
| ● Combined Operating Profit Before Amortization | \$ 301,113,000 |
| ● Net Earnings | \$ 200,117,000 |
| ● Combined Cash Flow From Operations | \$ 179,018,000 |

ORGANIZATIONAL STRUCTURE

CanWest Global Communications Corp. is Canada's largest internationally-diversified television broadcaster, with operations on three continents.

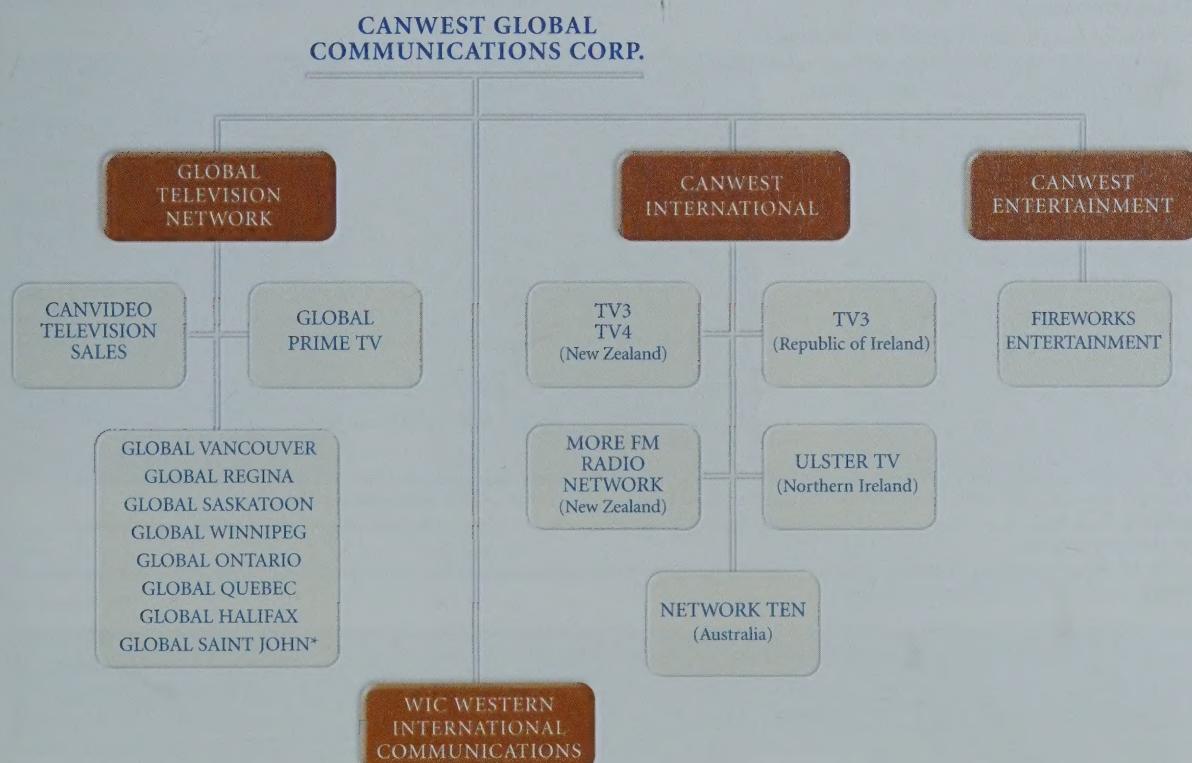
In Canada, the Company owns and operates the Global Television Network, a group of eight independent stations covering eight provinces, and Global Prime TV, the Company's first specialty cable network. The Company also owns Canvideo Television Sales, the largest national television advertising marketer in the country, and launched CanWest Entertainment, a new division focused on the production and distribution of television programming. CanWest Entertainment's first transaction was the acquisition of Fireworks Entertainment Inc., a Canadian producer and distributor. CanWest has a significant shareholding in WIC Western International Communications Ltd., and is currently in the process of negotiating a

reorganization of WIC which would result in a transfer to CanWest of WIC's substantial television and entertainment assets.

In Australia, CanWest has a significant economic interest in Network TEN, which owns and operates stations in all of Australia's major urban centres.

In New Zealand, CanWest owns TV3 and TV4, that country's only private television networks. In addition, the Company owns and operates More FM, New Zealand's top-rated radio network.

In the Republic of Ireland, CanWest holds a controlling 45% interest in TV3, while in Northern Ireland, it has a 29.9% interest in Ulster TV.



* Also serves Prince Edward Island.

FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED AUGUST 31

(in thousands of dollars, except as noted)

	1998	1997	1996	1995	1994
Combined Operating Results ⁽¹⁾					
Revenue	871,435	835,118	628,018	552,168	462,136
Broadcast operating profit before amortization	314,225	290,547	218,367	167,321	125,365
Operating profit before amortization	301,113	274,331	206,318	158,344	122,089
Operating profit margin	34.6%	32.8%	32.9%	28.7%	26.4%
Earnings from continuing operations before gain on sale of an 18.5% economic interest in Network TEN and realized translation adjustments	145,360	137,762	105,589	79,987	44,716
Net earnings	200,117	141,862	102,170	70,383	44,716
Cash flow from operations ⁽²⁾	179,018	205,165	137,176	97,067	68,123
Return on average equity	32.4%	27.7%	27.9%	31.3%	29.9%
Working Capital	90,560	135,909	170,657	24,896	31,909
Working Capital Ratio	1.37:1	1.57:1	1.84:1	1.14:1	1.19:1
Long-term debt	471,146	508,898	223,640	228,179	248,670
Debt:Equity	.69:1	.92:1	.47:1	.89:1	1.29:1
Per Share Information ⁽¹⁾					
Earnings from continuing operations before gain on sale of an 18.5% economic interest in Network TEN and realized translation adjustments					
Basic	\$ 0.97	\$ 0.93	\$ 0.75	\$ 0.58	\$ 0.35
Fully diluted ⁽³⁾	\$ 0.97	\$ 0.92	\$ 0.74	\$ 0.57	\$ 0.34
Earnings from continuing operations					
Basic	\$ 1.34	\$ 0.96	\$ 0.75	\$ 0.60	\$ 0.35
Fully diluted ⁽³⁾	\$ 1.33	\$ 0.95	\$ 0.74	\$ 0.59	\$ 0.34
Cash flow from operations ⁽²⁾					
Basic	\$ 1.20	\$ 1.38	\$ 0.98	\$ 0.70	\$ 0.53
Fully diluted ⁽³⁾	\$ 1.19	\$ 1.37	\$ 0.96	\$ 0.69	\$ 0.52
Shares Outstanding					
At year end	149,347,070	148,830,207	147,806,080	138,031,315	137,840,235
Average for the year	149,158,918	148,265,654	140,527,809	137,956,061	128,581,306

(1) *Operating results and per share information have been prepared on a combined basis, proportionately consolidating the company's 57.5% interest (76% to April 1998, 66% to December 31, 1996, and 57.5% to October 31, 1996) in Network TEN. Net earnings are the same as net earnings reported in the audited consolidated financial statements.*

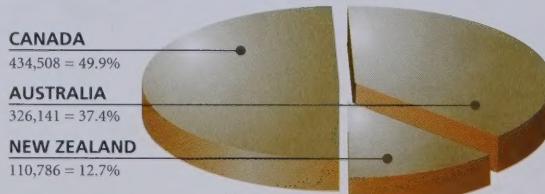
(2) *Earnings before amortization, deferred income taxes, interest in earnings of equity accounted affiliates, realization of cumulative translation adjustments, gain on disposition of long-term investment, and minority interest.*

(3) *Fully diluted earnings and cash flow per share are calculated using the weighted average number of shares that would have been outstanding had all share purchase warrants and stock options been exercised at the beginning of the year or when granted.*

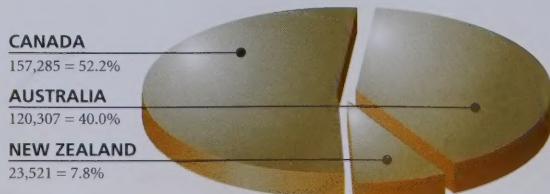
SHARE PERFORMANCE – SUBORDINATE VOTING SHARES (TSE)

\$1,000 invested in CanWest Global in its initial public offering in October, 1991 was worth \$12,435 on August 31, 1998, after assuming dividend reinvestments. This represents an annual compound growth rate of 43%.

**1998 COMBINED REVENUE
BY OPERATING DIVISION
(in thousands of \$)**

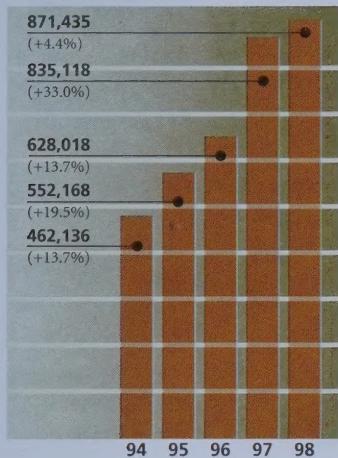


**1998 COMBINED BROADCAST OPERATING PROFIT
BEFORE AMORTIZATION BY DIVISION
(in thousands of \$)**



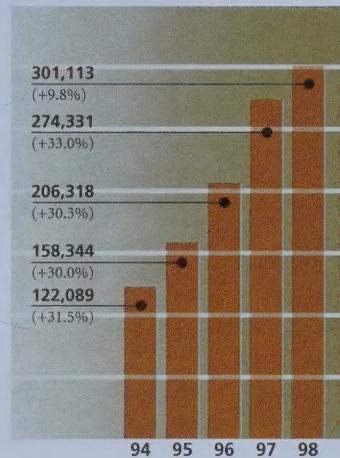
COMBINED REVENUE

(in thousands of \$)



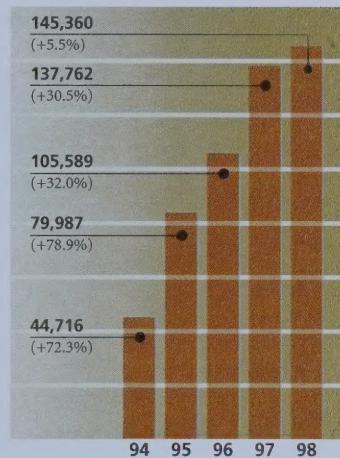
COMBINED OPERATING PROFIT BEFORE AMORTIZATION

(in thousands of \$)

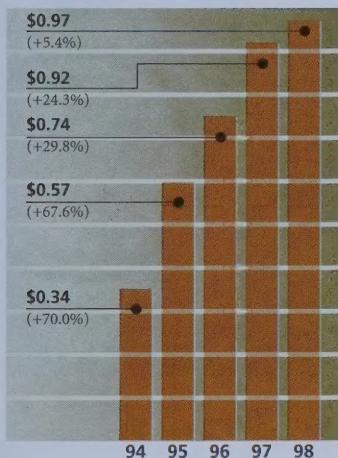


EARNINGS FROM CONTINUING OPERATIONS*

(in thousands of \$)

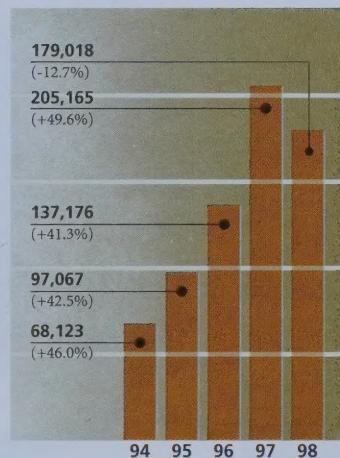


FULLY DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS*



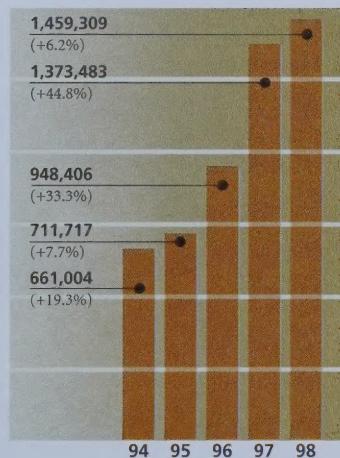
COMBINED CASH FLOW FROM CONTINUING OPERATIONS

(in thousands of \$)



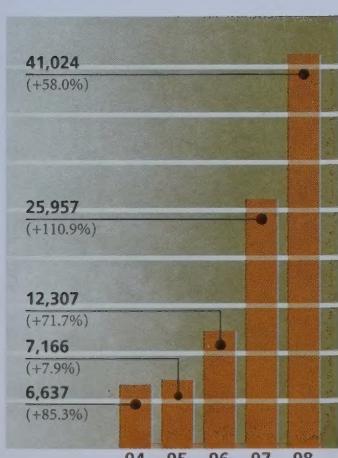
COMBINED TOTAL ASSETS

(in thousands of \$)



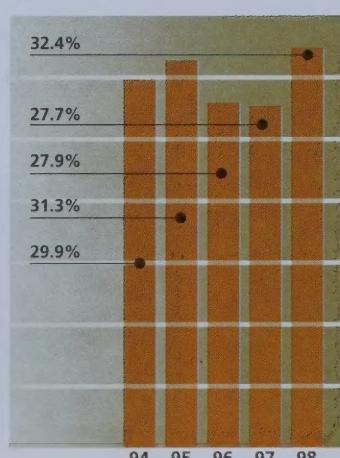
CASH DIVIDENDS

(in thousands of \$)



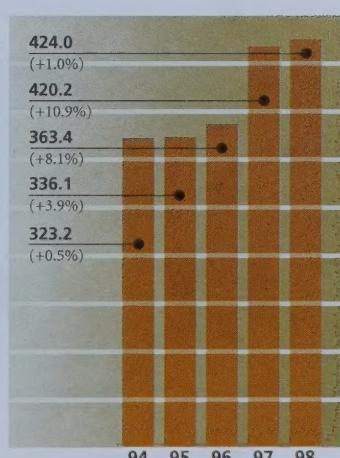
RETURN ON AVERAGE EQUITY

(by percentage)



PRODUCTIVITY – REVENUE PER EMPLOYEE

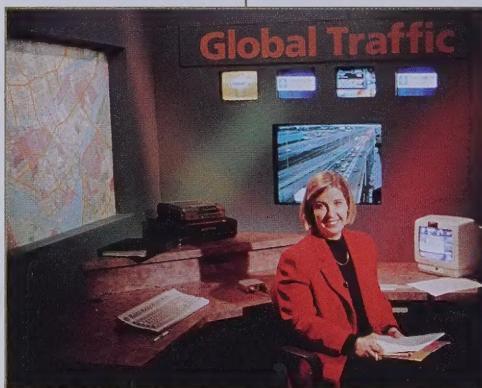
(in thousands of \$)



*Before gain on sale from a 18.5% economic interest in Network TEN and realized translation adjustments

SEPTEMBER 1997

- Global Quebec launches on September 14, reaching nearly one million English-speaking Quebec television viewers.



Global Quebec Studio

OCTOBER 1997

- TV3, in the Republic of Ireland, signs broadcast contract with the Independent Radio and Television Commission, paving the way for the launch of the Network in the Fall of 1998.

NOVEMBER
1997

NOVEMBER 1997

- CanWest acquires an initial 8.6% interest in Northern Ireland's Ulster TV.

DECEMBER 1997

- CanWest completes a \$1 billion Credit Agreement with a syndicate of Canadian and international banks.

The cast
of Gemini
Award-
winning
Traders

- Global Television Network captures 11 Gemini Awards – the largest number in the Company's history – and six CanPro Awards for its Canadian productions.

SEPTEMBER
1997

- CanWest reaches agreement in principle to sell an 18.5% economic stake in Australia's TEN Television Network to a new public company, TEN Network Holdings Limited, paving the way for an indirect IPO of Network TEN shares to the Australian public.

PRIME

OCTOBER
1997

- Global Prime, CanWest's first venture into specialty television, launches across Canada.



Ulster TV Headquarters, Belfast

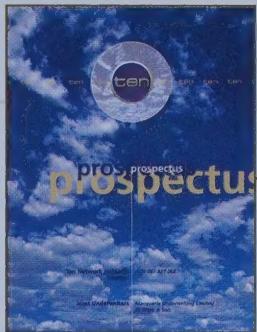
DECEMBER
1997

FEBRUARY 1998

- CanWest increases its investment in Ulster TV to 29.9%.

FEBRUARY
1998

APRIL
1998



MAY 1998

- CanWest forms a new division – CanWest Entertainment – upon which to develop a major presence in television production and distribution, and subsequently acquires Fireworks Entertainment Inc., a Toronto-based producer, distributor, and financier of television series and movies.



MAY
1998

SEPTEMBER 1998

- TV3, the Republic of Ireland's first independent national television network, launches successfully on September 20.



- Ready Or Not wins Gemini as Best Children's or Youth program, while Sam And Max receives Best Animated Program or Series Gemini.

APRIL 1998

- CanWest successfully completes the indirect sale of approximately 37% of the shares of the TEN Group Limited (representing approximately 18.5% economic interest in Network TEN), returning to its original 57.5% economic interest in Network TEN and realizing a cash gain of A\$102.1 million; the purchaser, Ten Network Holdings Limited, is listed on the Australian Stock Exchange.

- CanWest increases its stake in WIC to 46% of WIC's Class B Non-Voting Shares as a result of a takeover bid for the company.



- Global Prime introduces new look (complete with new logo) and introduces a new 24-hour program schedule.

AUGUST 1998

- CanWest and Shaw Communications Inc. reach agreement in principle on a transaction which would result in a transfer to CanWest of WIC's conventional television and entertainment assets.

SEPTEMBER
1998

- Traders, Global's flagship drama, wins its second straight Gemini Award as Best Drama Series. Stars Patrick McKenna and Kim Huffman are named Best Actor in a Leading Dramatic Role and Best Supporting Actress in a Drama, respectively.



Network TEN, Perth, celebrates its 10th year in May 1998, and all staff came dressed as "10-year olds".

1977

- CanWest Capital, forerunner to today's company, formed

1979

- Initial financing provided to major shareholders of CKVU-TV, Vancouver

1984

- CanWest Global Communications Corp. formed

1987

- New stations CFRE-TV, Regina and CFSK-TV, Saskatoon launched

1988

- 100% ownership of CKVU-TV, Vancouver acquired

1989

- Remaining interest in, and operating control of, Global Television acquired

1991

- Initial Public Offering and listing of CanWest shares on Toronto Stock Exchange
- First step into international arena with acquisition of initial 20% interest in New Zealand's TV3

1992

- Further expansion into South Pacific with acquisition of 57.5% economic interest in Australia's TEN Television Network

1993

- Company purchases MITV, regional broadcaster in Halifax and Saint John

1994

- Acquisition by Network TEN of 50% interest in Capital Television

1995

- Acquisition by Network TEN of strategic interests in Telecasters Australia Limited, Southern Cross Broadcasting and Television and Media Services Limited
- Agreement reached to purchase controlling interest in CKMI-TV, Quebec
- Stock split two-for-one

1996

- Network TEN acquires remaining 50% interest in Capital Television television stations
- CanWest listed on New York Stock Exchange; international issue of 9 million Non-Voting Shares
- Application approved for Global Prime TV, CanWest's first national specialty network
- Stock split three-for-one; Company also pays 12% stock dividend

1997

- CanWest interest in TV3 New Zealand increased to 100%
- Agreement reached with Irish consortium to lead launch of TV3, the Republic of Ireland's first private television service
- CanWest Global System in Canada rebranded Global Television Network
- Company signs long-term program supply deal with WIC's Alberta television stations
- TV4 New Zealand launches
- Company acquires New Zealand's More FM radio network



I.H. Asper, O.C., Q.C., LL.D., Executive Chairman of the Board

In last year's Report to Shareholders, I welcomed my successor as Chief Executive Officer, and indicated that in my new role as Executive Chairman of the Board, I expected to devote my time principally to long-term strategic planning and the search for those key investment opportunities that will move us to a new plateau as we enter a new century.

However, as events unfolded, all hands were needed on deck to harvest the crops of development initiatives for which seeds had previously been planted.

Concluding our partnership agreements, negotiating the terms of our government license, constructing studio and transmission facilities, acquiring and commissioning production of a complete new program schedule, and staffing-up to launch TV3 in the Republic of Ireland, proved a significant challenge. It was an arduous task, but our corporate team, led by Gregory Gilhooley and Gerald Noble, and the operations team, led by our Global Winnipeg Manager, Rick Hetherington, led us through a text book perfect launch, when the Republic of Ireland's Prime Minister Bertie Ahern threw the switch on September 20 to send out our first signal.

There will be a period of start-up loss absorption, of course, but in the long-term, TV3 will become an important contributor to , the CanWest family.

We managed to extend this entry into Europe by becoming the largest shareholder, at just under 30%, of Northern Ireland's Ulster Television. Our share of its profits is not yet reflected in our financial statements.

Achieving our second major objective, we acquired Fireworks Entertainment, a leading Canadian producer and distributor of television programming. This company will become the cornerstone for further development in the software side of our business.

And while parts of our organization were launching the start-up of TV4 in New Zealand and the absorption of that country's More FM national radio network, others were focussed on the start-up of Global Quebec and our first cable network, Global Prime.

Much of our Head Office's year was occupied in resolving the dispute with Australian regulators over CanWest's holding in Network TEN, but when that was successfully completed, we were able to divest our excess holdings in an oversubscribed public stock offering, which yielded gross proceeds of approximately A\$374 million. The C\$60 million net gain more than made up for our percentage reduction in Network TEN's earnings.

Finally, the WIC takeover competition and eventual negotiations which should lead to a substantial transfer to CanWest of key WIC assets in fiscal 1999, pre-occupied Head Office for much of the year. Our financial statements wholly reflect the interest cost of carrying our investment in WIC (minus dividends received) but do not reflect our proportionate share of its profits, which is quite substantial.

Our Company has always prided itself on its refusal to build a top heavy Head Office group – there are only 13 executives –

but the workload described above, plus that of closely monitoring our traditional and new business operations, makes it necessary for us to increase our breadth and depth. Our strength was further reduced this year by the transfer of Gerald Noble, formerly Vice-President, operations, to the Presidency of CanWest Pacific Communications in Australia, to pursue our interests in the South Pacific.

Thus, shortly after year-end, Leonard Asper, who has principally driven our corporate development activities, was appointed Chief Operating Officer, and Harry Ethans, a successful Winnipeg entrepreneur, and former Director of CanWest's earlier U.S. pay television operations, has joined us as Executive Vice-President, Corporate Development. We have also added Bruce Leslie, an experienced communications and public relations executive, as our Director, Communications.

In addition, Tom Strike has been named Senior Executive Vice-President, and his activities will expand to include a larger role in monitoring our operations, working closely with the Chief Operating Officer and the Chief Executive Officer.

And shortly, Richard M. Leipsic, B.A., LL.B., a senior partner in our corporate law firm, will join us in January as Vice-President and General Counsel. Mr. Leipsic, a seasoned corporate attorney, had been associated with CanWest since its earliest days. In addition to his legal role, he will be added to our Development Team.

Further executive strengthening will be required as we expand our Company and require more human resources and succession capacity.

Amidst all of this activity, I am also pleased to report that we have remained true to our commitment to support the

communities in which we do business. It is gratifying to me that we are not only able to contribute on a corporate basis through the CanWest Global Foundation, but also that the people who are employed by CanWest have shown a personal commitment through volunteerism and donations.

At CanWest, good corporate citizenship extends to all of us and I salute the individuals who stood up and mattered.

Your Directors increased the dividends for the fiscal year, from 17.5¢ per share to 27.5¢ per share, in keeping with our current dividend policy formula.

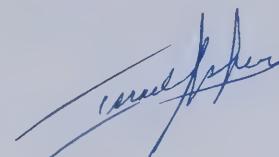
We close the book on our most productive and profitable year with considerable satisfaction, and expect that 1999 will add another successful chapter to the CanWest story.

Finally, you will appreciate that the unparalleled activities and advancement of our Company this year could not have been achieved without the advice, guidance and commitment of a dedicated Board of Directors. Frequent meetings, often on very short notice, coupled with lengthy briefings, were the order of the day. On behalf of all shareholders I express our gratitude to them, particularly those who are independent and not part of management.

The work of the Board is increasing as we grow, and thus we hope to add additional independent directors in the near future.

We look forward to discussing this report and answering your questions at our Annual Meeting at the Royal York Hotel, Toronto, on January 21, 1999. For those unable to attend, you may watch the proceedings live on Global Prime TV.

Respectfully submitted,



I.H. Asper, O.C., Q.C., LL.D
Executive Chairman of the Board
November 1998



Peter D. Viner, President and Chief Executive Officer

I am pleased to submit my second annual report to shareholders on your Company's growth and progress.

We experienced a very good year, and are in solid shape in terms of our strong balance sheet and the health of our business units to weather any possible downturn of international markets, and to take advantage of any strengthening as well.

The following are the highlights of our 21st year:

FINANCIAL HIGHLIGHTS

In fiscal 1998, CanWest continued its record of surpassing past years' financial performance. Among the operating highlights:

- Combined revenue from all of our broadcasting and entertainment operations was up 4% to \$871 million from \$835 million in fiscal 1997.
- Combined broadcast operating profit before amortization was up \$24 million or 8% over fiscal 1997.
- Combined EBITDA was up 10% over 1997, to \$301 million.
- After tax earnings were up for the eighth consecutive year, increasing 41.1% to \$200 million, or \$1.34 per share, from \$142 million, or \$0.96 per share in fiscal 1997.
- Combined cash flow from operations was \$179 million or \$1.20 per share compared to \$205 million or \$1.38 per share last year.
- Return on shareholders' equity was 32%, compared to 28% last year.

CORPORATE HIGHLIGHTS

I am pleased to report that in fiscal 1998 we achieved all of our corporate objectives:

- In September 1997, we reached agreement in principle with our fellow shareholder in Network TEN, Telecasters North Queensland Ltd., whereby it would form a new public company, Ten Network Holdings Limited, which would purchase an 18.5% economic interest in TEN from CanWest. This transaction was completed in April 1998, with Ten Network Holdings paying for the interest with net proceeds from a highly successful share offering to the Australian public. With completion of the transaction, TEN gained indirect access to the Australian public markets and we received a very fair return on our invested capital. As well, the transaction resolved our differences with the Australian broadcasting regulator resulting from our financing of the acquisition of the 18.5% economic interest in TEN.
- October 1997 saw the launch of our new Canadian specialty cable network – Global Prime. It is now the top rated cable network targeting viewers 50 plus, settling into a leader in its programming niche.
- In May 1998, we acquired Fireworks Entertainment Inc., a Canadian-based television program production and distribution company. The acquisition of Fireworks represents our entry into a new and exciting business complementary to our core television business, with substantial growth potential.

- Also in May 1998, we completed our takeover bid for WIC Western International Communications Ltd., resulting in the increase of our shareholding stake in WIC to approximately 46% of its outstanding Class B shares. Shaw Communications Inc. acquired substantially all of the remaining Class B shares with a competing bid. In August 1998, we came to an agreement in principle with Shaw to transfer to CanWest WIC's conventional television and entertainment assets. We are currently working with Shaw on final structuring of the transaction, after which we will both be proceeding to the CRTC for regulatory approval of the transaction. We are optimistic that WIC's television and entertainment assets will be in our hands by mid-1999.
- Our new network – TV3 – in the Republic of Ireland successfully launched in September 1998. Headquartered in Dublin and broadcasting to substantially all of the Republic's population, TV3 has been well received by Irish viewers and advertisers alike. We hold a 45% stake in TV3 and have the right to elect a majority of the company's Board. TV3 represents a European beachhead for CanWest and one on which we hope to expand. This year, we took our first step toward enlarging that beachhead by acquiring an approximate 30% stake in Ulster Television plc in Northern Ireland. We see this investment as both complementing our television strategy in the Irish Republic, and serving as a first step into broadcasting in the United Kingdom.

OUTLOOK

1998 was a very active and exciting year. Our Company significantly expanded its international conventional television base with the launch of TV3 in the Republic of Ireland. TV3 is expected to reach 3.5 million people, adding to the approximately 37 million persons currently under the CanWest umbrella. These markets generated almost \$5 billion in television advertising revenues in 1998, up from nearly \$4.5 billion in 1997.

We have taken a big step toward adding to our core television assets in Canada through an agreement with Shaw Communications to divide the WIC assets by areas of priority interest. While the agreement faces several regulatory and structural issues, we are confident that the eventual outcome will contribute positively to building our Canadian home base. The acquisition of Fireworks Entertainment in May of this year begins a new chapter in the growth and diversification of the Company, both domestically and internationally.

This year, we were active on the corporate development front and came close to completing a number of additional transactions, but in the end we were unwilling to compromise our objectives to the extent necessary to complete these transactions.

Our challenges for fiscal 1999 will be to:

- Continue developing our existing business units in what are likely to be uncertain and slowing economic conditions, with a particular focus on our Entertainment Division and our two start-up operations – Global Prime TV in Canada and TV3 in the Republic of Ireland.
- Complete the transfer to CanWest of WIC's television and entertainment assets in Canada, and begin the integration process of these assets into our Canadian operations.
- Add to our human resources base to enable the Company to continue building on our current platforms and to expand.
- Continue seeking out expansion opportunities in a weaker economic environment from a position of financial strength.

We have made progress toward our goal of creating an international media group, and I am confident we will add to our asset base over the coming year. Together with an able and focused team of executives and staff, your Company looks forward to another year of growth and expansion.

Respectfully submitted,

Peter D. Viner
President and Chief Executive Officer
November 1998

For the past four years, we have provided shareholders with both a look ahead at the Company's strategic goals and objectives for the current fiscal year, along with a look back at

how well we measured up against the goals and objectives we set for the past year. This assessment of our performance, and a look ahead to our fiscal 1999 corporate objectives, follow:

OBJECTIVE: Continue building the Company's management strength and succession capacity, with emphasis on management development.

RATING: Excellent

PERFORMANCE: During the year, both **David Asper** and **Leonard Asper** were named Executive Vice-Presidents of the Company, each taking on added responsibilities. **Gerald Noble**, former Vice-President, Operations, was appointed Chief Executive Officer, CanWest Pacific Communications, and now provides strong leadership in the growth areas of Australia and New Zealand. **Gary Maavara**, a senior executive in the Canadian television industry, was appointed Director, Special Projects where he contributes to the Company's corporate development initiatives and its regulatory and multi-media strategies. **Rick Hetherington**, formerly General Manager at Global Winnipeg, was named to head up the Company's new venture in the Republic of Ireland, where he now is CEO of TV3. **Ken Scott**, a Global Television executive, has joined Rick as TV3's Chief Financial Officer. In New Zealand, **Doug Gold**, former CEO of More FM, was named Chairman of the Board, while **Brent Impey**, former Executive Director of New Zealand's Radio Broadcasters' Association, was named CEO of More FM. Subsequent to year end, five significant senior management appointments were announced: **Leonard Asper** was named Chief Operating Officer, **Tom Strike** was named Senior Executive Vice-President, **Harry Ethans** was appointed Executive Vice-President, Corporate Development, **Bruce Leslie** was appointed Director, Communications and **Richard Leipsic** was appointed Vice-President and General Counsel.

OBJECTIVE: Continue to strengthen our investor relations function with both shareholders and the financial community in Canada and the United States.

RATING: Good to Very Good

PERFORMANCE: This area continues to improve. In addition to maintaining regular contact with financial analysts, the Company participated in two television and communications investment conferences in the United States and one in Canada. Also, Company executives met with analysts and shareholders in both Canada and the U.S. several times throughout the year, hosted its regular semi-annual meeting in Winnipeg following the second quarter/six months results and, generated research coverage from two new U.S. financial analysts.

OBJECTIVE: Continue to outperform our industry and the indexes of the stock markets on which our shares trade.

RATING: Excellent

PERFORMANCE: Although the market price for CanWest shares has declined in the last 12 months (as has the market), our five-year performance continues to exceed that of the TSE Broadcasting Sub-Index and the TSE Composite Index. The Total Return Index for our Subordinate Voting Shares on the TSE for the five years ended August 31, 1998, grew 613%, compared with the TSE Broadcasting Sub-Index which grew 175% during the same period, and the TSE 300 Composite Index which grew just 48%.

Since August 31, 1996 on an indexed basis, the total return to August 31, 1998 for the Company's Non-Voting Shares was 70% on the TSE, as compared with a 66% return for the TSE Broadcasting Sub-Index and 11% for the TSE 300 Composite Index.

OBJECTIVE: Launch a new operation in at least one new area of the world (outside Canada).

RATING: Excellent

PERFORMANCE: In September 1998, TV3, in which CanWest holds a controlling 45% interest, successfully launched in the Republic of Ireland. The Company also acquired a 29.9% stake in Ulster TV, Northern Ireland's leading television network.

OBJECTIVE: Add at least one additional specialty cable channel.

RATING: Good to Very Good

PERFORMANCE: During 1998, we successfully launched Global Prime, our first Canadian specialty cable network. As well, we have filed eight applications with the CRTC for new cable channels. With the establishment of this new operating platform we look to aggressively expand in the cable network sector. Initiatives included discussions with shareholders of Netstar Inc., which ultimately proved unsuccessful. Our interest in cable television was also a motivating factor in our pursuit of WIC. On completion of the reorganization of WIC, which is currently being negotiated with Shaw Communications Inc., CanWest would, among other things, be transferred an interest in the RoBtv (Report on Business tv) cable channel, several additional applications for new cable channels and a video-on-demand licence.

OBJECTIVE: Ensure the successful launch of TV3 in the Republic of Ireland.

RATING: Excellent

PERFORMANCE: TV3 launched successfully in September 1998.

OBJECTIVE: Continue to press for further liberalization of the laws restricting foreign investment in the countries in which we conduct, or hope to, conduct business.

RATING: Fair

PERFORMANCE: There is considerable support in the United States House and Senate for relaxing its foreign ownership restrictions to provide reciprocity with Canada, and legislation to that effect is expected to be introduced in Congress in 1999. We continue to make representations to the Canadian government to further liberalize its rules.

OBJECTIVE: Ensure the successful completion of the sale of shares in Network TEN to the Australian public.

RATING: Excellent

PERFORMANCE: The Company successfully completed the indirect sale of approximately 37% of the shares of the TEN Group Limited (representing an 18.5% economic interest) to Ten Network Holdings Limited, a special purpose company listed on the Australian Stock Exchange. The Ten Holdings' share issue was highly successful. As a result of the transaction, including distributions received during the period CanWest held this additional interest, CanWest realized a cash gain of approximately A\$120.6 million on the disposal of this interest, a return of 34% on the capital invested 16 months previously, and returned to its original 57.5% economic interest in

Network TEN. The transaction completely rectified the technical breaches of the Australian Broadcasting Services Act which gave rise to the transaction, a fact that has recently been confirmed by the Australian Broadcasting Authority.

OBJECTIVE: Accomplish our corporate goals and objectives while continuing to increase current profitability, productivity, profit margins, cash flow, return on shareholder equity, and all other major financial indices.

RATING: Excellent

PERFORMANCE: The Company has substantially exceeded previously reported levels of revenues, operating profits, profit margins, net earnings and earnings per share. In fiscal 1998, earnings per share grew 40% and the Company generated a 32% return on shareholders' equity.

OBJECTIVE: Add at least one more independent, non-management director to our board.

RATING: Excellent

PERFORMANCE: Jalynn Bennett, President of Jalynn H. Bennett and Associates Ltd., a Toronto-based consulting firm specializing in strategic planning and organizational development, was elected to the Board of Directors in January 1998. Peter Viner, the Company's President and CEO, was also elected as a Director in January 1998.

1999 CORPORATE OBJECTIVES

Following are the Company's primary corporate objectives for fiscal 1999:

- Absorb the start-up losses of TV3 in the Republic of Ireland, Global Prime TV and TV4 New Zealand, absorb the reduction of our Australian earnings by the sale of an 18.5% economic interest in Network TEN, absorb currency value reductions, and still deliver a profit to our shareholders comparable to this year.
- Continue to increase our management depth and independent representation on our Board of Directors.
- Continue to outperform our industry competitors on all key financial performance measures and, more particularly, increase our profits and margin.
- Continue to outperform the indices of the stock markets on which our shares trade, and make every effort to ensure that our share price reflects a significant premium over our competitors.
- Continue to strengthen relations with all our important constituencies – viewers, shareholders and the financial community, government and regulators, and the communities in which we operate – both domestically and internationally.
- Bring in the WIC assets we acquire, leverage them to obtain added value, and divest those which our regulator believes should not be held by CanWest.
- Continue to seek expansion opportunities in all markets in which we currently operate, expand our presence in the United Kingdom, and seek a good opportunity to enter the U.S. market.
- Define and launch our new division, CanWest Entertainment, on a long-term development plan.
- Continue our efforts to promote further liberalization of media foreign investment laws in countries in which we currently conduct, or hope to conduct, business.
- Continue to make a valuable contribution to the communities we serve.

Much of CanWest's success stems from the fact that the Company has, for years, operated as two distinct entities: as a development company and as an operating company.

The Corporate Head Office functions in a manner similar to a private merchant bank, continually seeking growth and development opportunities. At the same time, and of equal importance, CanWest is also a successful operating company with strong management teams at all of our operating units throughout the world. This fusion of highly disciplined corporate development strategies combined with outstanding operating skills, is the fundamental factor in our ability to deliver consistently superior results to our shareholders.

CanWest's operating strategies are grounded in sound business principles and a clear and concise understanding of the business we are in. The Company constantly focuses on increasing operating profits and profit margins through some of the industry's most effective sales and marketing techniques combined with a continuing focus on improving our operating efficiency.

On the development side, strategies are designed to complement our operating goals. Our main thrust has been (and will continue to be) to expand our core television broadcasting business both in markets where we are currently operating and by entering new markets. Our secondary development focus is to broaden our interests in the regions of the world where we have television operations through the acquisition or start-up of businesses which complement our free-to-air television properties – principally the business of specialty cable networks, radio broadcasting, production and distribution.

Fiscal 1998 was an exceptional year for the Company in the area of corporate development. Below are highlights of the major initiatives undertaken last year. More detailed accounts of these developments can be found in other sections of this Report:

THE INVESTMENT IN WIC

Perhaps the highest profile event of the year, certainly in Canada, was our investment in WIC Western International Communications Ltd. The spring of 1998 saw a spirited contest between Shaw Communications Inc. and our Company for WIC's shares, with each of us in the market with takeover offers. Ultimately, that process ended with CanWest owning approximately 46% of WIC's Class B Non-Voting Shares.

Over the summer of 1998, Company officials came to an agreement in principle with Shaw which would result in the transfer to CanWest of WIC's substantial conventional television stations and television related entertainment assets, and interests in certain cable television assets.

The Company and Shaw are currently structuring this complex transaction, with the current hope that the companies will be before the CRTC seeking approval for the transaction in the spring of 1999.

ENTRY INTO PROGRAM PRODUCTION AND DISTRIBUTION

In May 1998, CanWest acquired Fireworks Entertainment Inc., a leading Canadian independent production company, marking CanWest's initial foray into the world of television and film production and distribution.



Throwing the switch that officially launched TV3 in the Republic of Ireland were: (seated, from left) Peter Ennis, Director of Operations and Prime Minister Bertie Ahern; (standing, from left) Peter Viner, CanWest President and CEO, James Morris, Chairman and Rick Hetherington, TV3 CEO.

TV3 LAUNCHED IN REPUBLIC OF IRELAND

TV3 was successfully launched in the Republic of Ireland on September 20, 1998, ahead of its originally scheduled launch date. CanWest is a 45% shareholder (with the right to appoint the majority of directors) in TV3, that country's first national private television broadcaster.

TV3 is a major platform in the Company's international development strategies. It not only provides a significant investment in the European market, but also further diversifies CanWest's overall international development activities.

TEN NETWORK HOLDINGS LIMITED LISTED ON ASX

In April, the Company successfully completed the indirect sale of approximately 37% of the shares of the TEN Group Limited – owner and operator of Australia's TEN Television Network – representing an approximate 18.5% economic interest in the

Network. The purchaser, Ten Network Holdings Limited, is a special purpose company listed on the Australian Stock Exchange.

On completion of the transaction, CanWest returned to its original 57.5% economic interest in the Network.

OTHER INITIATIVES

Also during the 1998 fiscal year, CanWest undertook a number of other development initiatives which will positively impact on the Company's future bottom line:

- In Northern Ireland, CanWest acquired a 29.9% interest in Ulster Television plc;
- In Canada, the Company launched Global Prime, its first specialty cable network, and Global Quebec; and
- The Company completed a \$1 billion Credit Agreement with a syndicate of Canadian and international banks.

LOOKING AHEAD

Despite the ongoing volatility in the capital markets worldwide, or perhaps because of it, we believe there are significant opportunities for the Company's growth.

In 1997 and 1998, we established three new operating platforms – in radio, specialty cable networks and program production and distribution. We intend to seek opportunities to build upon each of these new operating units, both here in Canada and internationally. Each of these new operations is complementary to our core conventional television business.

More FM in New Zealand has proven to be a valuable complement to TV3 and TV4 in that market. We believe that equal value can be gained by owning radio assets in our other existing markets – Canada, Australia and Ireland – and intend to pursue opportunities in each of these markets. The successful launch of Prime TV in Canada has encouraged us to pursue opportunities for expansion of this operating unit as well. As we grow our core television business, security of program supply becomes increasingly important, and consequently we will also be looking at ways to develop the business interests of CanWest Entertainment.

Our core business is conventional television and we will continue our objective to enter the two biggest English-speaking markets – the United Kingdom and the United States. The successful launch of TV3 in the Republic of Ireland and our investment in Northern Ireland's Ulster Television have heightened our corporate profile in the United Kingdom. This has resulted in us being presented with an increased number of investment opportunities in that market. We also intend to continue our search for a suitable entry point in the U.S. marketplace – one that will establish CanWest as a meaningful player in that market, but also one that will provide our shareholders with an appropriate return on their investment.

The Company is currently well capitalized and has access to substantial committed but unutilized credit facilities. Continuing volatility in the worldwide capital markets could result in better investment opportunities being offered to long-term players such as CanWest, and we are in good financial position to capitalize on these opportunities when they present themselves.

STRONG EXECUTIVE MANAGEMENT

CanWest's business operations and development initiatives are directed from its head office in Winnipeg under the guidance of 13 executives and a support staff of 12. An Executive Management Committee regularly reviews the Company's operational and development activities, and is comprised of the following individuals:

I.H. Asper, O.C., Q.C., LL.D. The Company's founder and Executive Chairman, Mr. Asper has had a distinguished career as a lawyer, journalist, legislator, business executive and entrepreneur. As Executive Chairman, he focuses most of his attention on the long-term, external growth and development of the Company. He has won countless awards over the years, and has been recognized by his peers and business associates many times over. Among his more recent accolades, in 1995 he was inducted as an Officer of the Order of Canada and inducted into the Canadian Association of Broadcasters Hall of Fame, named Western Canadian Entrepreneur of the Year in 1996, inducted as Laureate of the Canadian Business Hall of Fame, received the International Distinguished Entrepreneur of the Year Award from the University of Manitoba, and was named Honorary Chairman of the Asper Jewish Community Campus and the Asper Centre for Entrepreneurship in 1997, and, in 1998, he was conferred an Honorary Doctor of Law Degree by the University of Manitoba.

Peter D. Viner. President and Chief Executive Officer, Mr. Viner is the former CEO of the TEN Television Network in Australia. He has held several senior management posts with CanWest Global since first joining the Company in 1974, as Vice-President, Marketing for Global Television. He was also President and CEO of CanWest Broadcasting Ltd. before moving to Australia in 1993 to take up his post at Network TEN, where he played a pivotal role in orchestrating the dramatic and successful turnaround of the Network. In 1979, he was named Marketing Man of the Year by the American Marketing Association, and was the Australian Media Executive of the Year in 1995.

David A. Asper. As Executive Vice-President, Mr. Asper's area of responsibility has covered broadcast operations, primarily as they relate to programming, promotion and corporate development in the United Kingdom. He joined the Company in 1992 following a successful career as a criminal defense lawyer. Mr. Asper, while retaining his family shareholding in the



CanWest's Executive Management Group. From left, standing: Andrew Telford, Director of Taxation, Leonard Asper, Executive Vice-President and Chief Operating Officer, John Maguire, Vice-President, Finance and Chief Financial Officer, Peter Liba, Executive Director, Corporate Affairs and Tom Strike, Senior Executive Vice-President. Seated: Peter Viner, President and Chief Executive Officer, I.H. Asper, Executive Chairman, Gail Asper, Corporate Secretary, Greg Gilhooly, General Counsel and Director, Corporate Development and David Asper, Executive Vice-President.

Company and his position on the Board of Directors, intends to take an extended leave of absence to develop other Asper family interests.

Leonard J. Asper. In his role as Executive Vice-President, Mr. Asper oversees all of CanWest's Canadian and international corporate development initiatives, including corporate strategic planning. He has been involved extensively in acquisitions and new business development for the Company in Canada, the South Pacific, and South America. He joined the Company in 1991 as Associate General Counsel for Global Television in Toronto, moving to the corporate head office in 1994. He has recently been appointed Chief Operating Officer of the Company, with Corporate Development still reporting directly to him. He is also a member of the Company's Board of Directors.

Thomas C. Strike. As Senior Executive Vice-President, Mr. Strike, a Chartered Accountant, works closely with the Executive Chairman and the President and CEO on the majority of the Company's financing issues, along with evaluating and negotiating corporate development transactions for the Company and its subsidiaries. Mr. Strike, who has been with CanWest since 1986, spearheaded the Company's drive to acquire WIC Western International Communications, and

headed up the Company's drive to indirectly convert Australia's Network TEN into a public company.

Gail S. Asper. The Company's Corporate Secretary, Ms. Asper has been with CanWest since 1989. While her primary responsibilities relate directly to the Company's Board of Directors, she is also President of the CanWest Global Charitable Foundation and chairs the Company's Community Support Committee. She also serves on the Company's Board of Directors.

J. Gregory Gilhooly. Mr. Gilhooly is currently General Counsel as well as Director, Corporate Development. As the Company's senior legal officer, he is responsible for all of CanWest's legal issues. As Director, Corporate Development, he is also involved with evaluating and implementing new development initiatives. He will shortly be freed from legal issues to devote his full time to development projects. Mr. Gilhooly was instrumental in bringing the TV3 project in the Republic of Ireland to a successful conclusion.

Peter M. Liba, C.M. In his role as Executive Director, Corporate Affairs, Mr. Liba oversees the Company's government and regulatory affairs throughout North America. He has been associated with CanWest since its inception, holding numerous senior management positions over the years. He was named to

the Order of Canada in 1984, and in 1998 was awarded an Honorary Life Membership in the Western Association of Broadcasters and was recently inducted into the Canadian Broadcast Hall of Fame. Mr. Liba has played a pivotal role in all aspects of CanWest's growth.

John E. Maguire. As Vice-President, Finance and Chief Financial Officer, Mr. Maguire is responsible for all of the Company's financial and corporate accounting activities. A Chartered Accountant, Mr. Maguire also works closely with the Company's bankers and auditors, and maintains an

ongoing dialogue with financial communities throughout North America. In 1998, he played a key role in negotiating the Company's \$1 billion credit agreement with a syndicate of Canadian and international banks.

J. Andrew Telford. As Director of Taxation, Mr. Telford is responsible for tax planning on a worldwide basis for CanWest, its subsidiaries and affiliates. He also plays a key role in supporting the Company's corporate development efforts in Canada and internationally.

NEW FACES, NEW POSTS FOR 1999

Harry T. Ethans, Executive Vice-President, Corporate Development, appointed November 1998. A Western University MBA graduate, Mr. Ethans previously was with CanWest in the early days of the Company. In the early 1990s, he led a management group that purchased several companies from Federal Industries and co-founded Ensis Corporation, the company which managed these assets. Mr. Ethans will work closely with Leonard Asper and Greg Gilhooley in the Company's corporate development area.

Richard M. Leipsic, Vice-President and General Counsel. A senior partner with the Winnipeg-based legal firm Pitblado Buchwald Asper, Mr. Leipsic has been associated with CanWest for years as outside legal counsel and as a corporate development advisor. Mr. Leipsic will join CanWest in January 1999 and will be responsible for all legal affairs and become an integral part of the development team. Mr. Leipsic has practiced commercial law for 23 years.

Bruce M. Leslie, Director, Communications. Mr. Leslie joined CanWest in November 1998 from Calgary, where he was Senior Consultant with GPC Communications, an international

communications, public relations and investor relations firm. He will oversee the Company's internal and external communications requirements, media and investor relations, and community initiatives.

Gary Maavara, Director, Special Projects. In this newly created role, Mr. Maavara will contribute to CanWest's corporate development initiatives along with its regulatory and multi-media strategies from the CanWest offices in Toronto. Following five years of law practice in Toronto, Mr. Maavara held several senior roles with the CTV Television Network, including Group Vice-President, Programming and Chief Legal Counsel.

Gerald R. Noble, Chief Executive Officer, CanWest Pacific Communications Pty. Ltd., Australia, a wholly-owned subsidiary of the Company. Formerly Vice-President, Operations at the Head Office in Winnipeg, now based in Sydney, Australia, Mr. Noble oversees CanWest's business growth and development throughout the South Pacific. Mr. Noble has held several senior executive positions with the Company, including the role of Managing Director of TV3 New Zealand from 1993 to 1996.



*Harry Ethans,
Executive Vice-President,
Corporate Development*



*Richard Leipsic,
Vice-President and
General Counsel*



*Bruce Leslie,
Director,
Communications*



*Gary Maavara,
Director,
Special Projects*



*Gerald Noble,
Chief Executive Officer,
CanWest Pacific
Communications
Pty. Ltd., Australia*

EXECUTIVE MANAGEMENT ROUNDTABLE

Throughout the year, financial analysts, shareholders and prospective shareholders, and the business media ask CanWest senior executives a great many questions. While space

does not permit reviewing and responding to all of them, we have identified and answered some of the most frequently asked questions:

Q *Are you satisfied overall with the fiscal 1998 financial results? Have you identified any areas where improvement can be expected in fiscal 1999?*

A Yes. When you strip away all the uncontrollables – the drop in the Australian and New Zealand currencies, the significant reduction in our Australian earnings as a result of our sale of 18.5% of the company, and the cost of carrying our large investments in WIC and Ulster TV, while neither consolidating nor equity accounting their earnings – it has been a very good year indeed.

Q *Were you satisfied with the completion of the indirect sale of approximately 37% of the shares of the TEN Group Limited? Do you feel you were treated fairly by the Australian government and the Australian Broadcasting Authority?*

A The sale of the 37% of TEN's shares to Ten Network Holdings Limited and the concurrent public float of that company, were unqualified successes. The Ten Network Holdings shares sold quickly at a very satisfactory price to a broadly based group of Australian institutional and retail investors. The final arrangement worked out among the Company, the Australian government and the Australian Broadcasting Authority is one that all parties can live with, and provides CanWest and Network TEN with the certainty and stability necessary to expand and develop their media interests in the Australasia region.

Q *Are you satisfied with the way TV4 New Zealand performed in its first year of operation?*

A TV4 had a very satisfactory first year. The new metro network reached its first year audience objectives early and continues to expand its advertising and audience bases. We expect, over time, that TV4 will be a significant contributor to our New Zealand media interests.

Q *Has More FM in New Zealand lived up to your expectations in your first year of ownership?*

A More FM has exceeded our expectations in its first full year of operation under our ownership. It has been more profitable and attracted a larger than anticipated share of radio advertising, and has confirmed our belief the combination of radio and television can contribute positively to the development of both media. We look forward to developing other radio interests both in the region and internationally.

Q *What do you see as being your next opportunity in the Australasia region?*

A We continue to be interested in acquiring radio stations in both Australia and New Zealand, as CanWest is not limited by any foreign ownership restrictions in these markets.

The priority for TEN is to strengthen its presence in Australia through acquisition, primarily in advertiser supported media. We are optimistic that the current capital markets volatility will create more opportunities than has been the case in the past.

Q *After your efforts to secure all of the outstanding shares of WIC Western International Communications, are you satisfied with the outcome?*

A Obviously the contest between our Company and Shaw Communications was hard fought and we are naturally disappointed that we did not acquire all of WIC's Class A and Class B shares as a result of our takeover offer. However, we have reached, in principle, a negotiated solution. While we had an interest in the vast majority of WIC's assets, our primary motivation has always been to acquire its conventional television assets. Those assets are strategically important to our Company.

The agreement in principle would see the transfer to CanWest of WIC's substantial conventional television assets. We would also acquire all of WIC's television related entertainment assets and interests in certain new cable assets. Structuring of this transaction is proving a complex matter, and our current hope is to be before the CRTC in the spring of 1999 seeking approval for the WIC reorganization.

Q *Have Global Quebec and Global Prime performed up to expectations in their first year of operation?*

A Global Quebec is off to an excellent start in its first year of operation. It exceeded our audience goals and sales estimates, and made a better than expected contribution to our Canadian operations. We expect to grow our success significantly this year and anticipate that Quebec will become one of the stars of the Global Television Network.

Global Prime had a very solid first year performance given the uneven launching of the new specialty tier and the short pre-launch time. We expect Global Prime will build on its first year's experience with a better program schedule and growing subscriber fees. We hope to be able to add to this platform and participate in the growth of specialty television in Canada.

Q

What opportunities remain for further growth and development in Canada?

A

We believe that there are significant opportunities to expand our existing interests in specialty cable television and program production and distribution. As well, we see Canadian radio as an excellent expansion opportunity and intend to explore new media.

Q

Now that TV3 in the Republic of Ireland is up and running, what are your expectations for the network, and what other opportunities are you considering in the United Kingdom?

A

We expect that TV3 will grow its market share in the first year, and become a significant new voice for viewers in the Republic of Ireland. Major areas of development for TV3 will include signal extension into Northern Ireland and possibly the UK. Although initially TV3's strength is expected to be in news and information programming, over time TV3 will generate other strands of programming.

At present, we are focused on ensuring that the TV3 start-up improves to a point where additional expansion opportunities can be pursued. These would then include pursuing opportunities in advertising supported media such as radio. In the UK, we continue seeking to expand our presence in broadcast television. Once we establish a critical mass of television presence in that country, we will then look to expand into related media.

Q

Does the Company have any plans at this stage to enter the United States market?

A

This has been one of our stated objectives for more than three years, and while it remains an important goal, we have not yet found an appropriate entry point because of the large scale of the U.S. market and the size of any acquisition relative to our company as a whole. The prices at which broadcasting companies have been sold over the past three years have been in excess of what we have been willing

to pay, and many of the acquisitions made by U.S. broadcasters of other companies in that market reflected the ability of the purchaser to gain rapid synergies, which would not be available to CanWest as a new entrant to the market. We continue to devote much time and resources to gaining a significant foothold in the U.S. market, but will be patient and careful in selecting our initial platform.

We are actively making the case to American legislators that Canadians should be allowed to own the same interest in a U.S. broadcaster as an American can own in Canada – 33% of the voting equity and an unlimited amount of the non-voting equity. Foreign ownership rules in the United States currently set a benchmark of 25% ownership of an American broadcaster. However, on a case-by-case basis, this level can be exceeded unless the U.S. regulator, the Federal Communications Commission, can show that an acquisition of more than 25% would not be in the public interest. We believe that in the circumstances, CanWest will be permitted by the FCC to make a significant investment in an American company when we find the right vehicle. While hoping to convince the U.S. Congress to revise the American broadcast ownership laws, we also want to protect the discretion currently provided to the FCC.

Q

What are the biggest challenges facing the Company as it moves toward the new millennium?

A

For CanWest, a media company, vertical integration is the first and most vital challenge in each of our existing markets. Market territorial expansion is a challenge of equal priority. However, the biggest challenge of all is to confront these objectives in a manner which is consistent with our human resource capacity to absorb new components, and at a cost which creates perceptible shareholder value and confidence.

For nearly 25 years, we have had the patience, restraint and discipline to meet these challenges in a way which enhances shareholder value.



CanWest has been holding discussions with a number of American officials to encourage increasing the limit on foreign ownership of broadcasting companies in the U.S. Meeting with U.S. Senator John McCain during a visit to Ottawa are, from right, American Ambassador Gordon Giffin, I.H. Asper, Senator McCain, Canadian International Trade Minister Sergio Marchi, Leonard Asper and Peter Liba.

OPERATING UNITS

GlobalThe Global
Television
Network**PRIME™**Global
Prime TVFireworks
Entertainment
Inc.

- English-speaking population: 22.5 million
- 1997 television advertising revenue: \$2.1 billion
- Number of TV households: 11 million
- Number of national English-language television networks: 3
- Cable, Pay TV and satellite service available throughout the country

GLOBAL PRIME-TV

Covering 10 provinces and territories

- Eight owned and operated stations providing service to eight of 10 Canadian provinces, reaching approximately 79% of English-speaking Canada
- Long-term program output deal at start of 1997-98 television season with WIC Western International Communications in Alberta raises coverage to 88% of English-speaking Canada
- Reaches 26 of 31 cities in Canada with a population in excess of 100,000
- Canada's largest and most profitable conventional television broadcasting company
- Owns and operates Global Prime TV, the Company's first specialty cable network.
- Owns and operates Fireworks Entertainment Inc., one of Canada's leading production and distribution companies
- Number of employees: 996



FINANCIAL HIGHLIGHTS – CANADIAN OPERATIONS

*For the years ended August 31
(in thousands of Canadian dollars)
(unaudited)*

	1998	1997	1996	1995	1994
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenue	434,508	365,312	325,197	297,773	245,339
Broadcast operating profit before amortization	170,397	139,887	113,130	90,300	72,869
Amortization of broadcast licences and goodwill	5,854	5,319	5,317	5,318	5,341
Other amortization	8,724	6,281	6,466	6,509	5,923
Earnings before interest and income taxes	143,399	112,989	92,063	69,322	57,902
Financing expenses	32,188	15,839	18,880	24,043	18,893
Earnings before income taxes	115,330	98,853	74,440	47,713	39,009
Provision for income taxes	51,498	44,940	34,959	24,845	19,771
Net earnings	59,485	50,202	36,633	21,013	17,863
CONSOLIDATED BALANCE SHEETS					
Current assets	165,842	89,681	207,227	94,513	84,191
Investment in international operations	80,717	355,811	66,831	66,831	66,831
Property and equipment	64,343	59,403	43,195	41,177	40,136
Broadcast licences and goodwill	209,234	168,493	173,813	179,130	184,449
Other investments	382,792	98,661	39,495	37,613	–
Other	52,824	31,047	28,067	27,378	34,745
Total assets	955,752	803,096	558,628	446,642	410,352
Current liabilities	104,476	91,326	84,454	84,031	75,241
Long-term liabilities	505,348	387,730	177,158	208,038	195,066
Shareholders' equity	345,928	324,040	297,016	154,573	140,045
Total liabilities and shareholders' equity	955,752	803,096	558,628	446,642	410,352
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION					
Cash generated (utilized) by:					
Operating activities					
Cash flow from operations	81,868	71,789	56,392	35,785	32,357
Capital expenditures	(7,182)	(5,099)	(8,254)	(5,925)	(2,646)
Changes in non-cash operating accounts	(25,287)	11,123	12,070	22,145	(7,623)
	49,399	77,813	60,208	52,005	22,088
Investing activities					
Investment in international operations	275,094	(288,980)	–	–	(12,896)
Investment in domestic broadcast operations and other	(352,863)	(70,798)	–	(41,595)	(24,667)
Other	628	(9,354)	1,418	3,111	2,623
	(77,141)	(369,132)	1,418	(38,484)	(34,940)
Financing activities					
Issuance (Repayment) of long-term debt	109,201	178,656	(36,335)	5,310	(27,477)
Distributions to shareholders	(41,024)	(25,957)	(12,307)	(7,166)	(6,637)
Issuance of share capital	3,129	3,081	113,185	668	32,657
Change in bank advances	(7,012)	5,760	(4,772)	(15,811)	19,540
	64,294	161,540	59,771	(16,999)	18,083
Net change in cash	36,552	(129,779)	121,397	(3,478)	5,231

These consolidated accounts have been prepared in accordance with accounting principles generally accepted in Canada, except the investment in international subsidiaries and affiliates has not been consolidated therein. These accounts reflect the company's interest in international operations at cost. Results from operations include only Canadian television and entertainment operations and Canadian corporate accounts.

GLOBAL TELEVISION NETWORK

The Global Television Network, the principal component of CanWest's Canadian operations, has long been identified as a significant force in Canada's broadcasting industry – both in terms of profitability and viewing audience.

With operations from the West Coast to the Maritimes, Global reaches approximately 79% of Canada's English-speaking population through its eight owned and operated stations. When combined with the program output arrangement it has with WIC Western International Communications in Alberta, our reach is increased to 88% of English-speaking Canada.

Global's formula of efficient and aggressively marketed business units, combined with a solid programming mix aimed at a younger, more affluent audience, was developed in the early days of the Company, and has not changed in more than 20 years. Not only has this philosophy been successful, it's also "transportable", as evidenced by the successful turnarounds at both TV3 New Zealand and Network TEN Australia, and the recent successful launch of TV3 in the Republic of Ireland.

Over the years, one of the Company's most important focuses has been transforming the collection of stations into one of Canada's leading television voices. This was effectively achieved at the beginning of fiscal 1998 with the launch of Global Quebec, that province's first new English-language television service in more than 20 years. Reaching more than one million new viewers, this further strengthened Global Television's position as Canada's number one television service.

In 1998, Global's service to Prince Edward Island was enhanced with the construction of a new over-the-air transmitter that brings Global's signal to 90% of the Island's population. In



James Sward, President and Chief Executive Officer, The Global Television Network

addition, the new transmitter means better reception for those P.E.I. viewers who already received Global via cable.

Canadian television operations continued to deliver outstanding financial results as all records were topped in fiscal 1998. Revenue rose from \$365.3 million in fiscal 1997 to \$426.8 million, an increase of 16.8%; broadcast operating profit before amortization was up 20.5% in fiscal 1998 to \$168.6 million versus \$139.9 million in the prior year.

ONE OF CANADA'S TOP MANAGEMENT TEAMS



From left: Loren Mawhinney, Vice-President Canadian Production, Ken MacDonald, Vice-President News, Cam Johnson, Treasurer, John Burgis, Vice-President, Finance and Business Operations, Doug Bonar, Vice-President, Technology and Broadcast Operations and Ed Wood, Senior Vice-President and General Manager, Canvideo Television Sales.

Over the years, CanWest has made it a point of hiring and developing some of Canada's leading television broadcast executives.

Leading this group of experienced executives is **James Sward**, President and Chief Executive of the Global Television Network. Mr. Sward joined CanWest in 1993 and has piloted the Global Television Network to a position of dominance, both financially and in terms of audience ratings. Prior to coming to CanWest, he was President of a leading national telecommunications company specializing in cellular telephone



From left: Glenn O'Farrell, Vice-President, Legal and Regulatory Affairs, Doug Hoover, Vice-President, Programming and Promotion and Ken Johnson, Vice President, Sales and Marketing.

equipment. A Director of the Canadian Association of Broadcasters, Mr. Sward has twice been named the CAB's Broadcaster of the Year.

A talented group of senior executives works with Mr. Sward overseeing the various components of the Global Television Network, and providing direction to the operating divisions throughout the country. They are:

- **Doug Bonar**, Vice-President, Technology & Broadcast Operations;
- **John Burgis**, Vice-President, Finance & Business Operations;
- **Doug Hoover**, Vice-President, Programming & Promotion;



Kevin Shea, President, Global Ontario and Eastern and Atlantic Canada Operations

● **Loren Mawhinney**, Vice-President, Canadian Production; and

● **Glenn O'Farrell**, Vice-President, Legal and Regulatory Affairs.

Heading the Company's Eastern and Atlantic Canadian operations is **Kevin Shea**, who also serves as President and Chief Operating Officer of Global Ontario. A respected television executive, Mr. Shea has been with CanWest for three years. He is the former President of Atlantis Communications, a leading producer and distributor of some of Canada's top



Jack Tomik, General Sales Manager, Western Operations (left) and Jim Rusnak, President and General Manager of CanWest Television Inc., and President, Global Vancouver.

television programs. Prior to this, he was President & CEO of YTV, a specialty cable network in Canada.

Under Mr. Shea's leadership are the Company's flagship station, Global Ontario, Global Quebec, Global Atlantic, and Global Prime. Other executives on the team are **Ken Johnson**, Vice-President, Sales & Marketing, **Ken MacDonald**, Vice-President, News and **Cam Johnson**, Treasurer.

At the operating level, **Rick Friesen** is General Manager, Global Atlantic, with **Bill Albert** as Sales/Station Manager at Global Saint John. **Suzanne Lapalme** is General Manager, Global Quebec.

CanWest Global's Western Canadian operations are led by **James Rusnak**, President of CanWest Television Inc. Mr. Rusnak joined CanWest in 1993 as President and General Manager of Global Vancouver. A veteran of Western Canada's television industry, Mr. Rusnak was President of Saskatchewan operations for a major television broadcaster prior to joining CanWest.



Rick Friesen
General Manager,
Global Atlantic



Suzanne Lapalme
General Manager,
Global Quebec



Monte Graham
General Manager,
Global Winnipeg



Greg Campbell
General Manager,
Global Regina



Stan Schmidt
General Manager,
Global Saskatoon

Working with Mr. Rusnak, overseeing Western operations, are **Hadyn Kennerd**, **Jack Tomik**, General Sales Manager and **George Froehlich**, Executive Producer, News & Current Affairs.

At the operating level, the Global Television Network in Western Canada is managed by **Monte Graham**, General Manager, Global Winnipeg, **Greg Campbell**, General Manager, Global Regina, and **Stan Schmidt**, General Manager, Global Saskatoon.

CANADA'S TOP PRIMETIME SCHEDULE

The Global Television Network has an excellent program schedule in each of the markets it serves. This has resulted in Global attracting leading audience shares, particularly in the key markets of southern Ontario and British Columbia's Lower Mainland.

In Canada's most competitive television market – Toronto/Hamilton Extended Market Area (EMA) – Global Ontario has been number one with viewers aged 18 to 49 for the past several years. In the Spring 1998 Bureau of Broadcast Measurement results, Global was a solid number one in the Toronto/Hamilton EMA with a 15.7% share of the primetime viewing audience, more than three percentage points ahead of its closest rival.

In the Vancouver EMA, Global Vancouver continues to maintain its number one ranking following the Spring BBMs. In Winnipeg and Montreal, the Global Television outlets were very competitive with the market leaders at season's end. This is especially encouraging in Montreal, given that 1997-98 was the first year of operation for Global Quebec.

The 1997-98 television season was particularly exciting for Global's Canadian programming which won more honours than ever before. Buoyed by these accolades, Canadian-produced programs are poised for yet another solid year in 1998-99. The line-up of Canadian shows for this season includes a cross-section of everything from entertaining animation, to the world of high finance, to science fiction and the super natural, to suspenseful drama.

Leading the way again this season will be the Company's Gemini award winning flagship drama series, *Traders*. Entering its fourth season, *Traders* promises to be as engaging, controversial and exciting as ever, as it continues to draw viewers anxious for an insight into the drama of high finance.

The Outer Limits, the highest rated Canadian series over the past three years, returns for season number four as well, with tales that push the boundaries of imagination, reality and emotion. Also in the genre of sci-fi, is *PSI Factor*, back on Global for a third season. Canadian actor Matt Frewer joins the cast this year.

New Canadian series on Global this year include:

- *Bob and Margaret*, the first Canadian animated primetime sitcom, based on the Oscar-winning short Bob's Birthday;
- *Flash Forward*, a light hearted teenage series about the oft-turbulent times of adolescence; and
- *Addam's Family*, a 90s update of the campy 60s original.

Global's slate of specials is highlighted by the two-hour pilot for an hour long series entitled *Justice*. This prestigious drama is set in the Justice Department in Ottawa and is an examination of penetrating social and legal issues, and the lawyers who represent the people of Canada. Global will also present the following specials and documentaries this season:

- *The Reichmanns*, based on the award winning book of the same name about one of Canada's dynamic yet enigmatic families;
- *Tickling the Dragon's Tail*, focusing on the life and death of Louis Slotin, a Winnipeg scientist who played a role in building the world's first atomic bomb;
- *Calling Card For A Revolution: The Montreal Riot* takes a look at the 1955 riot that erupted following the suspension of hockey star Maurice Richard; and
- *Jenny and the Queen of Light*, a lighthearted story about family love and the power of imagination.

CanWest is one of the world's largest purchasers of U.S. network programming and has been able to provide viewers

with the majority of top-rated series year in and year out. Long term program supply deals with major US studios like Columbia, Universal, Fox, Warner Bros., Paramount and Worldvision mean that viewers will be able to enjoy their favourite dramas and sitcoms for many years. These include top-rated comedies like *Friends*, *Frasier*, *Mad About You*, *3rd Rock From The Sun*, *Caroline in the City*, *The Simpsons*, *King of the Hill*, and last year's breakthrough hit, *Dharma & Greg*. Award-winning dramas returning to Global for the 1998-99 season include: *NYPD Blue*, *Chicago Hope*, *The X-Files*, *Early Edition* and *The Practice*. The venerable newsmagazine shows *20/20* and *60 Minutes* also return this year.

Among the new U.S. series this year on Global are:

- *That 70's Show*, a hilarious romp back through the 1970s focusing on a group of adolescents growing up during that decade;
- *Jesse*, a comedy about a young woman with too many men in her life;
- *Brimstone*, a dark and malevolent series about a former New York cop who has to recapture a litany of criminals who have escaped from Hell; and
- *Hyperion*, a contemporary drama about a computer genius.

PROGRAM AWARDS

The Spring of 1998 was highlighted by the 11 Gemini Awards won by the Global Television Network. Front and centre was *Traders*, named Best Dramatic Series. Bruce Gray, who plays the devious Adam Cunningham on the show, took home a Gemini as Best Actor in a Continuing Leading Dramatic Role, while Patrick McKenna, who plays zany head trader Marty Stevens, won in the category Best Actor in a Featured Supporting Role.

Other Global series to win Geminis in the Spring were: *Jake and the Kid*, *Ready Or Not*, and *PSI Factor*, while Global specials *Nan's Taxi* and *Shipwreck on the Skeleton Coast* also were honoured.

At the Fall Gemini Awards, the Global Television Network again captured the industry's most coveted awards. For the second straight time, *Traders* was named top Drama Series. Two of the show's stars, Patrick McKenna and Kim Huffman won Geminis for Best Performance by an Actor in a Continuing Leading Dramatic Role, and Best Performance by an Actress in a Featured Supporting Role in a Dramatic Series, respectively. McKenna also won as Best Actor in a Continuing Role in a Comedy Series for his work in the *New Red Green Show*. Two of Global's favourite teenage/kids series were also Gemini winners: *Ready Or Not* was awarded Best Children's or Youth Program or Series, while *Sam And Max* received Best Animated Program or Series.

At the community level, Global Winnipeg garnered the prestigious Can-Pro Showcase Award and the CAB Gold Ribbon Award for its documentary, *Flood of the Century* which depicted the drama of the Spring 1997 flood that hit southern Manitoba. Global Winnipeg also won gold Can-Pro awards in three other categories: News Special Reports for *Bosnia: Special Report*; Documentaries for *Flood of the Century*; and Generic Promotion, local Newscast for Global News *Christmas Image*.

Global Saskatoon took home two Can-Pro awards as well, one a gold award for its *Tankard Hank* special, which promoted the provincial curling championships.

Global Vancouver was recognized with the broadcasting industry's most prestigious award when it received the CAB's Gold Ribbon Award in the category of Community Service Television for its broadcast of the *Children's Miracle Network Telethon*. Global Vancouver's six o'clock newscast won top honors for best local newscast in a large market from the Radio, Television, News Directors Association (RTNDA), recognizing excellence in electronic journalism.

Global Vancouver also received two other awards from the RTNDA – one for Mike Killeen's *School Colours* in the New Series Category, and Dave Gerry's Monk *Candles* in the Use of Video Category. *School Colours* also won a British Columbia Association of Broadcasters Award of Excellence and Dave Gerry won a silver medal from the New York Festivals for his *Three Stories From Beyond the Fringe*.

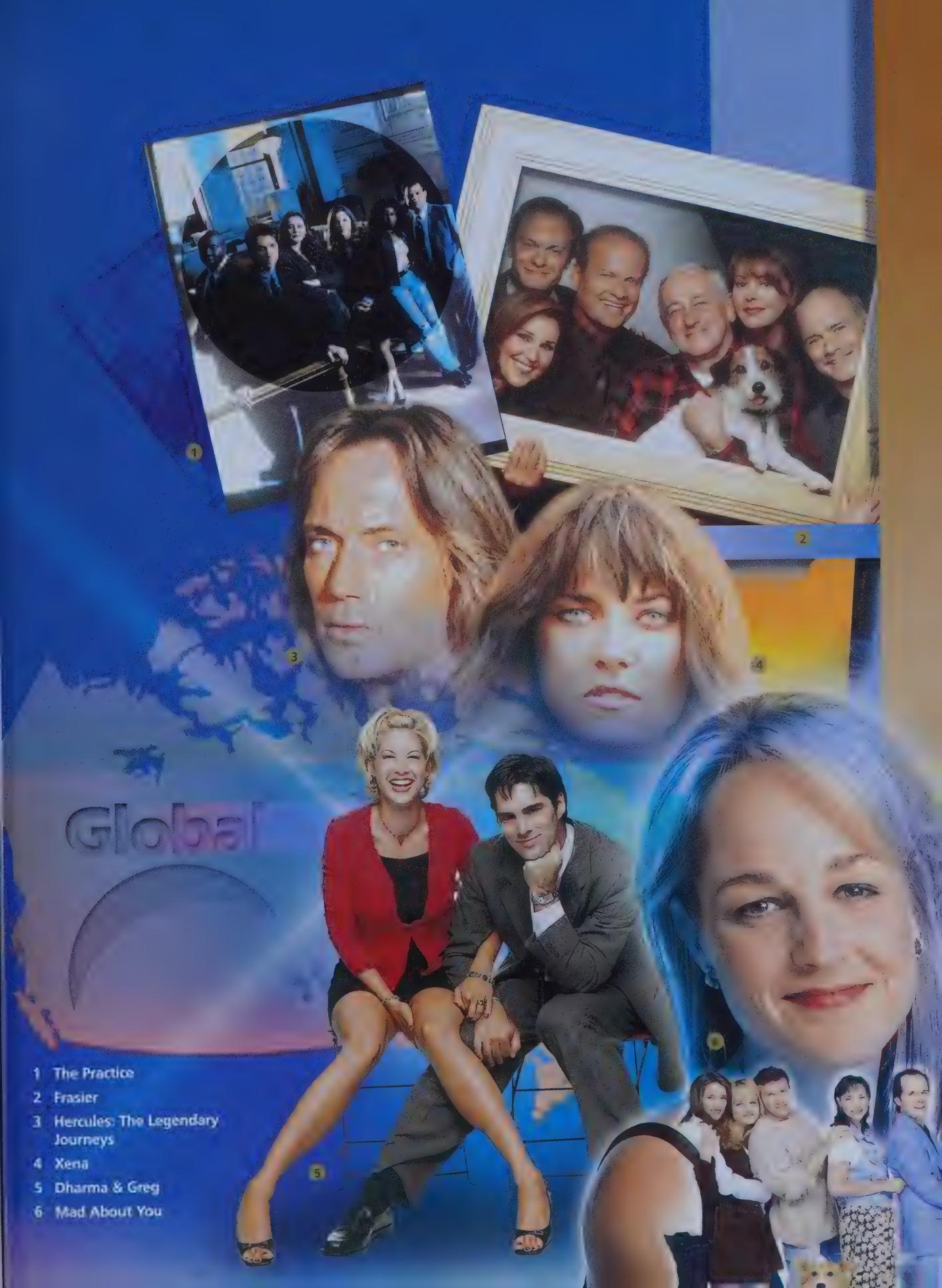
The Alliance for Children and Television Awards named Global's *Ready Or Not* the winner of its English Drama Series, the third time the show has been recognized from this consumer and volunteer group which annually pays tribute to intelligent and entertaining television for children.

THE WORLD OF SPECIALTY CABLE TELEVISION

In its inaugural year, Global Prime, CanWest's first specialty service, enjoyed much success with strong audience viewership and a solid revenue growth.

Global Prime launched as a 24-hour national network designed to appeal to an adult audience looking for quality entertainment and information programming. Known as "Canada's Entertainment Network", the Global Prime line-up is a solid combination of award winning dramas, lifestyle and current affairs programming, documentaries and movies, all catering to Canada's largest and most affluent demographic group – those 50 years plus.

Global Prime's growth in viewership and cable distribution was among the highest of the new specialty channels, which were introduced last year. Since its launch date, Global Prime's share of the viewing audience has increased 350%! Now into its



1 The Practice

2 Frasier

3 Hercules: The Legendary
Journeys

4 Xena

5 Dharma & Greg

6 Mad About You



Jim Rusnak, President, CanWest Television Inc., presents a cheque to Naomi Guenther of the Lower Mainland Christmas Bureau, representing Global Vancouver's contribution to the Christmas Fund.

second season, Global Prime continues to experience steady growth in cable distribution. It's estimated that Prime will be seen by approximately 2.5 million subscribers by the end of 1998.

Returning this season to its program schedule are mainstays like *M*A*S*H*, *The Big Valley* and *Murder, She Wrote*. The Network's irreverent and critically acclaimed nightly talk show, *Grumps* is also back for a second season with a new host, Canadian singer/songwriter Murray McLauchlin.

Prior to the start of its second season, Global Prime introduced a new logo and positioning line, which incorporates the Global Television Network identification with the specialty channel. This new, bold and colorful on-air look reflects the audience demographic which Prime is capturing.

CANVIDEO TELEVISION SALES

Canvideo Television Sales (CTS), a subsidiary of Global, is Canada's largest national television advertising marketing company. Managed by **Ed Wood**, Senior Vice-President & General Manager, CTS completed the most successful year in its 18-year history, accounting for 88% of Global Television's advertising sales revenue. In addition, promotion revenues increased by 59% over the prior year, and continue to be a strong new revenue source.

The internal structure of CTS was reorganized last year to better serve the growing complexity of client and agency objectives, and prepare for future growth and development. CTS's revitalized Montreal team moved into Global Quebec's studios and played a key role in the station's positive achievements in its first year of operation.

CTS Research is playing an influential role in the changing media measurement environment as advertisers look to the industry for more comprehensive and qualitative reporting.

GLOBAL TELEVISION SUPPORTS THE COMMUNITY

On the local level, each of the Global Television Network operating units is extensively and actively involved in community events and affairs. Many of our stations are proud to support and broadcast the Children's Miracle Telethon Network, which annually raises hundreds of thousands of dollars for the various Children's Hospitals around the country. Other local initiatives include:

- **Global Vancouver:** Corporate sponsor of the 1998 Vancouver Sun Run, the third largest 10 kilometre run in the world; raised over \$23,000 for the Lower Mainland Christmas Bureau.
- **Global Regina:** Along with **Global Saskatoon**, contributed \$10,000 in cash and a like amount in airtime in support of the Saskatchewan Abilities Council and its chalet at Camp Easter Seal.
- **Global Saskatoon:** Joined **Global Regina** in a contribution to Camp Easter Seal; involvement in Saskatoon Junior Achievement.



The Global Regina 22-person Dragon Boat Festival team which competed in the 7th annual Regina Dragon Boat Festival.

- **Global Winnipeg:** Produces the annual Variety Telethon to raise funds for handicapped and disadvantaged children in Manitoba (the total now stands at more than \$15 million). Sponsors the Cerebral Palsy Stationery Bike race, the 24-Hour Relay in support of Easter Seals, "Boo at the Zoo", and Lights of the Wild, in support of the Zoological Society of Manitoba.
- **Global Ontario:** Major supporter of the Variety Gold Heart Campaign and the R.E.A.C.H. for the Rainbow Society.



Global Atlantic's war canoe team took to the waters of Lake Banook to help raise funds for Maritime Medical.

- **Global Quebec:** Official sponsor of the 5th annual Taste of the Nation Gala and a major contributor to the Children's Wish Foundation of Canada.
- **Global Atlantic:** Major sponsor of the Word on the Street Book Fair, the Parker Street Furniture Bank fundraising dinner and the Elizabeth Fry Society's Rebels With A Cause dinner.

SALUTING GLOBAL TELEVISION PEOPLE

Introduced in 1996, the CanWest Global Community Spirit Award is given annually to an employee at each of our Canadian stations. Winners are selected on the basis of their ongoing commitment to and involvement in their local community. Along with the recognition, the recipient selects a

charity or non-profit organization which receives a \$1,000 donation from the Company.

Winners of the 1997 Spirit Award were:

- **Bernice Marr,** Senior Production Assistant – Sports at Global Vancouver, who donated her \$1,000 to The Greater Vancouver Food Bank Society;
- **Bill Wright,** Promotion Manager at Global Regina, who donated his \$1,000 to The Children's Health Foundation of Canada;
- **Brian Main,** Retail Sales Manager at Global Saskatoon, who donated his \$1,000 to EGADZ, a Saskatoon downtown youth centre;
- **Terry Tomasi,** Audio Technician at Global Winnipeg, who donated his \$1,000 to Marymount Inc.;
- **Shari Scharfer,** National Director of Development – Canadian Production at Global Ontario, who donated her \$1,000 in the memory of her sister to The Canadian Breast Cancer Foundation;
- **Heather Hiscox,** News Anchor at Global Quebec, who donated her \$1,000 to The Montréal Neurological Institute and Hospital; and
- **Kendall Nowe,** Production Editor at Global Atlantic, who donated his \$1,000 to The Halifax Education Foundation.

In addition to the above awards, Global Ontario named **Ed Holmes**, Manager, Broadcast Operations, as its Global Spirit Award winner, while at Global Winnipeg, **Pat O'Connor**, Senior Electronic Technician, was named Employee of the Year, and at Global Regina, **Doreen Senger**, Traffic Supervisor, was named its Employee of the Year. And, at Global Atlantic, **Rick Horton** received the station's Bright Ideas Award.



Global Vancouver's "Global Force" at the 13th Annual Children's Hospital.

CANWEST ENTERTAINMENT

In May 1998, CanWest Entertainment achieved its goal of entering the film and television production industry by acquiring Fireworks Entertainment Inc., a leading Canadian entertainment company engaged in the distribution, production and financing of television programs and feature films.

Toronto-based Fireworks was founded in 1995 by Jay Firestone, former Vice-Chairman of Alliance Communications Corporation. Mr. Firestone has an impressive track record, having built Fireworks into one of Canada's most successful integrated entertainment companies in less than three years.

Fireworks launched its distribution business in January 1996 with the acquisition of the program library of Skyvision Entertainment. This library featured more than 125 episodes of television programming including such popular shows as *Robocop – The Series*, *Pet Connection* and *Heart of Courage*. Since that acquisition, Fireworks' library has continued to grow and currently includes in excess of 275 hours of film and television programming now being distributed to broadcasters and exhibitors both domestically and internationally in over 100 countries.

Fireworks has produced a diversified range of programming and has earned a well-deserved reputation for excellence in production, both in terms of quality and reliability. One of Fireworks' hit television programs, *Nikita*, won Chrysler Canada's People's Choice Award at the Fall Geminis, honouring the best in Canadian programming.

Fireworks has recently expanded its operation in Los Angeles by hiring television and film development and distribution executives, with a view to forming a fully-integrated production and distribution operation.



Jay Firestone, President and Chief Executive Officer, Fireworks Entertainment Inc.

Fireworks' management team is led by **Jay Firestone**, President and Chief Executive Officer. Working with Mr. Firestone is an experienced group of executives that includes:

- **Adam Haight**, Executive Vice-President and Chief Operating Officer;
- **John Robinson**, Senior Vice-President, Business and Legal Affairs; and
- **Blake Tohana**, Chief Financial Officer.

Fireworks' fiscal 1999 program slate includes the third season of *Nikita* (airing on CTV in Canada and USA Network in the U.S.), the first season of *Highlander: The Raven* (airing on CHUM Television in Canada and syndicated by Rysher Entertainment in the U.S.), the second season of *Real Kids, Real Adventures* (now airing on Global Television in Canada and Discovery Channel in the U.S.), the fourth season of *Pacific Blue* (now airing on CHUM Television in Canada and USA Network in the U.S.) and the feature film *Shattered Image*.

In fiscal 1999, Fireworks will continue to build its library of entertainment content and expand its international operations, and Global Television expects to expand its relationship with Fireworks by commissioning additional productions for the 1999/2000 year.

The Company also participates in film and television product by providing financing to independent producers. In May 1996, Fireworks established a co-financing initiative with a U.S. financial institution specializing in independent production financing. This arrangement allows Fireworks to provide a form of production financing to independent producers in exchange for certain fees and/or participation in revenues.



From left: Adam Haight, Executive Vice-President and Chief Operating Officer; John Robinson, Senior Vice-President, Business and Legal Affairs; and Blake Tohana, Chief Financial Officer.



1 *Nikita*

2 *Highlander: The Raven*

3 *Robocop – The Series*

4 *Pacific Blue*

WIC WESTERN INTERNATIONAL COMMUNICATIONS

After a takeover contest for WIC and many months of subsequent negotiation, CanWest and Shaw Communications Inc. reached an agreement in principle in August 1998 to reorganize WIC. The transaction would result in a transfer to CanWest of WIC's substantial and strategically important conventional television assets. CanWest would also acquire WIC's television related entertainment assets and interests in certain new cable channels.

The structure of the transaction is currently being determined by CanWest and Shaw officials. While transaction structuring is

proving to be complex, we are hopeful that a structure can be designed to accommodate all parties' commercial objectives. We expect to be before the CRTC seeking approval for the transaction in the spring of 1999.

The results of WIC's television assets have not been reflected in our financial statements, although the costs of carrying that investment (minus dividends) have been included in our expenses.

OPERATING
UNIT



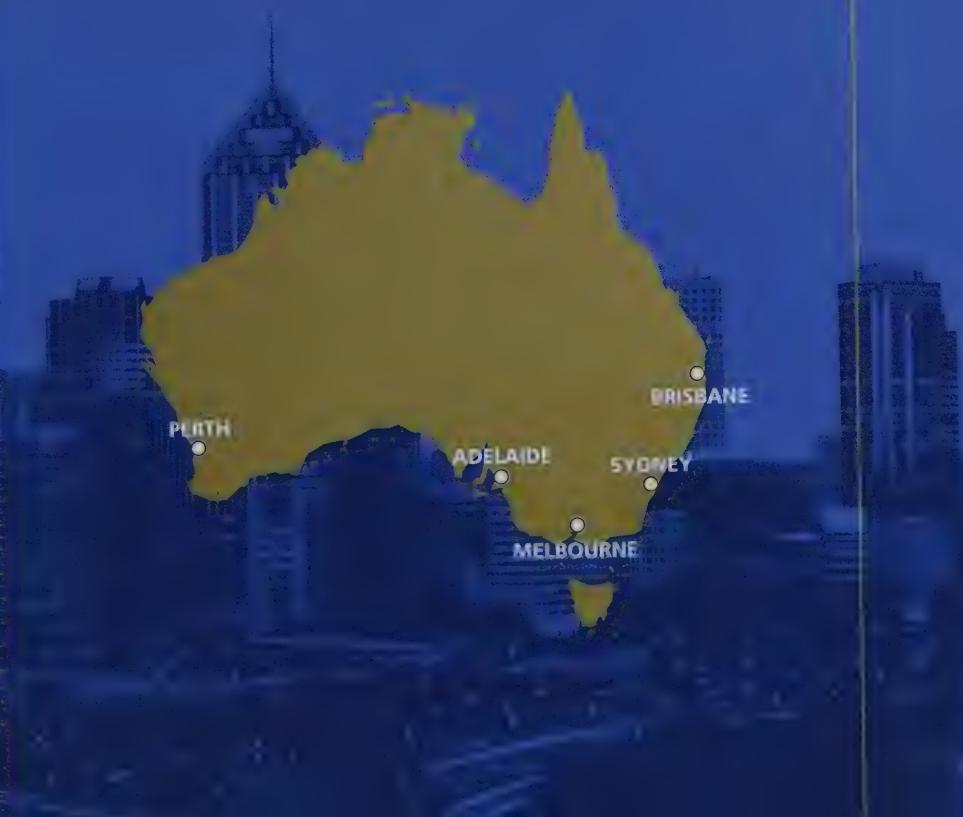
The TEN
Television
Network

GENERAL INFORMATION

- Australian population: 18.6 million
- 1997 television advertising revenue: \$A2.2 billion
- Number of TV households: 6.7 million
- Number of national commercial television networks: 3 (with two other national, non-commercial networks)
- Cable and Pay TV services becoming more evident

GENERAL INFORMATION

- CanWest holds a 57.5% economic stake, and a 15% voting interest in the TEN Television Network
- Network TEN owns and operates stations in each of Australia's five major metropolitan centres
- Network TEN reaches approximately 65% of the Australian population via its owned and operated stations, and another 25% of the population via affiliate stations
- Network TEN has strategic shareholding interests in three companies: TAL (14.9%), Southern Cross (14.6%) and TMS (11.9%)
- One of Australia's most profitable television networks
- Number of employees: 955



FINANCIAL HIGHLIGHTS – NETWORK TEN

*For the years ended August 31
(in thousands of Australian dollars)
(unaudited)*

	1998	1997	1996	1995	1994
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenue	502,878	498,482	431,824	366,373	342,896
Operating profit before amortization (EBITDA)	185,517	167,537	151,685	118,396	90,695
Amortization of broadcast licences	8,136	8,136	7,352	5,000	5,000
Other amortization	7,677	7,989	8,994	8,562	9,857
Earnings before interest and income taxes	169,704	151,412	135,339	104,834	75,838
Financing expenses	6,912	7,641	9,574	5,756	8,778
Earnings before income taxes	162,792	143,771	125,765	99,078	67,060
Provision for income taxes	36,171	36,665	23,803	14,165	14,973
Interest in earnings of equity accounted affiliates	1,534	1,312	2,084	15,768	2,034
Earnings before interest on subordinate debentures	128,155	108,418	104,046	100,681	54,121
CONSOLIDATED BALANCE SHEETS					
Current assets	145,699	161,729	161,053	131,825	163,983
Investment in Capital Television, at equity	–	–	–	30,496	14,601
Property and equipment	37,623	40,384	42,848	30,720	40,823
Broadcast licences	283,478	291,614	299,750	181,613	186,613
Investment in other domestic broadcast operations	37,380	35,232	31,976	20,255	–
Other	3,274	997	6,966	483	1,030
Total assets	507,454	529,956	542,593	395,392	407,050
Current liabilities	221,838	145,215	163,136	163,357	105,504
Long-term liabilities	39,686	105,693	113,732	70,488	138,306
Shareholders' equity	245,930	279,048	265,725	161,547	163,240
Total liabilities and shareholders' equity	507,454	529,956	542,593	395,392	407,050
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION					
Cash generated (utilized) by:					
Operating activities					
Cash flow from operations	116,165	146,775	118,308	98,475	66,944
Capital expenditures	(4,139)	(5,525)	(2,688)	(6,851)	(5,891)
Changes in non-cash operating accounts	55,530	(35,464)	14,960	40,507	(16,050)
	167,556	105,786	130,580	132,131	45,003
Investing activities					
Investment in domestic broadcast operations	(2,325)	–	(111,973)	(16,629)	(12,666)
Other	–	(2,668)	–	(6,782)	–
	(2,325)	(2,668)	(111,973)	(23,411)	(12,666)
Financing activities					
Issuance (Repayment) of long-term debt	(30,000)	(30,000)	40,000	(55,000)	(40,000)
Distributions to security holders	(127,906)	(94,762)	(48,411)	(47,788)	(4,952)
Other	–	–	–	–	2,417
	(157,906)	(124,762)	(8,411)	(102,788)	(42,535)
Net change in cash	7,325	(21,644)	10,196	5,932	(10,198)

These consolidated accounts have been prepared in accordance with accounting principles generally accepted in Canada.

TEN TELEVISION NETWORK

Since the acquisition in December 1992 by a CanWest-led consortium, the TEN Television Network has risen from receivership to become Australia's second most profitable television network.

Earnings growth over the past six years has been achieved through the implementation of a business strategy focused on controlling operating costs and increasing market share by successfully targeting the key young adult audience segment.

Initially under the leadership of its Chief Executive Officer **Peter Viner**, who took the helm of TEN in 1993, and more recently, **John McAlpine**, who became CEO in June 1997, Network TEN has become a significant Australian media company.

The magnitude of this remarkable turnaround story is best demonstrated by TEN's EBITDA growth over the years.

Immediately prior to the CanWest-led acquisition, TEN's EBITDA was approximately A\$28 million; since then, that figure has increased more than 9 times to A\$185.5 million at August 31, 1998.

Network TEN took a different approach on its march to profitability. A decision was made to concentrate primarily on delivering consistent ratings targeted principally to the 16 to 39



John McAlpine, Chief Executive Officer, Network Ten

year old group so as to maximize the benefits to advertisers, and therefore the value of TEN's airtime, TEN's focus on tailoring its program offerings to appeal to its core demographic group, has resulted in capturing an important share of the younger viewing audience.



Network Ten Board of Directors. From left standing: Paul Gleeson, Barry Sechos (Alternate), Paul Harris, Gerald Noble, George Chapman, Robert Magid and Steven Skala (Alternate). From left seated: Laurence Freedman, Jack Cowin, John Studdy (Chairman), John McAlpine (CEO) and Peter Viner. Missing: Isi Leibler, Geoffrey Levy and Brian Sherman.

In addition to these effective programming and marketing strategies, the restructuring of the Network's operating costs has proven to be a significant component in TEN's turnaround. Of note, is the fact that since 1993 (following the acquisition by the CanWest-led consortium) TEN has reduced its corporate operating costs approximately 9% – no small accomplishment given the dramatic increase in revenue during this time.

In addition, the consolidation last year of the Network's Sydney operations to a new, state-of-the-art complex at Pyrmont has also had a positive impact on controlling operating costs. The new facility houses TEN's network broadcast hub and management centre.

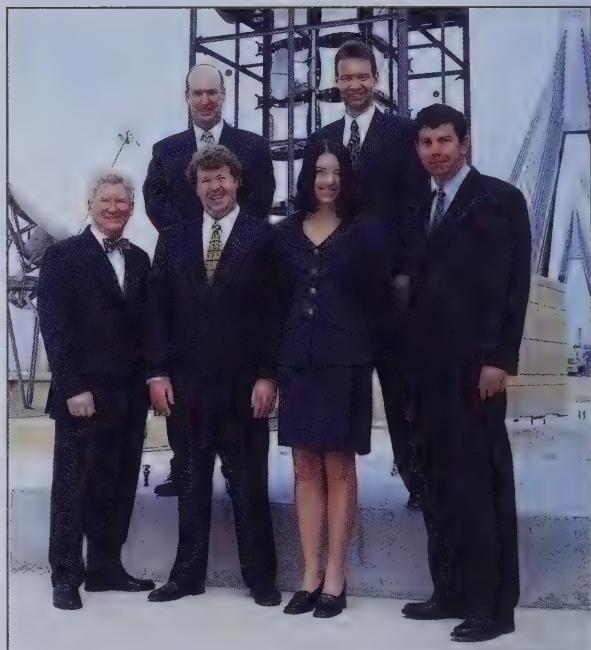
TEN'S BOARD & MANAGEMENT

The composition of Network TEN's board is comprised of 13 Directors, two of whom are CanWest nominees: **Peter Viner** (who also is Deputy Chairman) and **Gerald Noble**. CanWest Executive Vice-Presidents **David Asper** and **Leonard Asper** serve as alternates.

Along with CanWest's representatives, the TEN Board also includes: **John Studdy** (Chairman), **George Chapman**, **Jack Cowin**, **Laurence Freedman**, **Paul Gleeson**, **Paul Harris**, **Isi Leibler**, **Geoffrey Levy**, **John McAlpine**, **Robert Magid** and **Brian Sherman**.

TEN's management team combines extensive experience in the television industry, both domestically and internationally, with a depth of skills spanning all key functional areas.

The executive team is led by Chief Executive Officer **John McAlpine**. Mr. McAlpine has been in the Australian television industry since 1970. He has been with Network TEN for more than 20 years, and prior to his appointment as CEO was TEN's



Network Ten Executive Management Team. From left back: Davis White and David Mott. From left front: Gerry Thorley, Grant Blackley, Susan Oddie and Peter Myers.

General Manager, Network Sales. He has a proven record of performance and excellence along with strong leadership skills.

The executive management team is comprised of some of Australia's best television people. They are:

- **Peter Myers**, Group General Manager, Finance & Administration;
- **Gerry Thorley**, Group General Manager, Network Operations;
- **Grant Blackley**, General Manager, Network Sales;
- **David Mott**, General Manager, Network Programming;
- **Susan Oddie**, General Manager, Business Affairs; and
- **David White**, General Manager, News, Current Affairs & Sports.

RESTRUCTURING THE CANWEST STAKE IN NETWORK TEN

In forming the consortium that purchased Network TEN in 1992, CanWest acquired a 14.99% shareholding interest and an overall 57.5% economic interest in the Network.

In November 1996 and January 1997 certain other of TEN's shareholders decided to sell their shares, and offered them to certain other TEN shareholders pursuant to a pre-emptive rights process. CanWest exercised its rights in respect of these shares, nominating and extending financing to certain non-affiliated Australian companies to purchase the shares in question.



Network Ten Newsroom. The open newsroom concept at Network Ten has proven popular with viewers and visitors to the Pyrmont Studios.

As a result of these transactions, these companies acquired an aggregate of 37% of TEN's shares, representing an 18.5% economic interest in the Network. By virtue of its financing arrangements with these companies, the additional economic interest acquired passed to CanWest, thereby increasing the Company's overall economic interest in TEN to approximately 76%.

However, as a result of an inquiry, the Australian Broadcasting Authority (ABA) determined that the financial arrangements between CanWest and the unrelated Australian companies which purchased the additional shares were in breach of the Australian Broadcasting Services Act (BSA). The ABA subsequently ordered CanWest to rectify the breaches by April 1998.

Upon receiving the ABA's decision and orders in April 1997, CanWest set out developing proposals which would rectify the breaches. To this end, the Company concluded an agreement in principle in September 1997 with Telecasters North Queensland (TNQ), a fellow shareholder in Network TEN. A publicly listed company on the Australian Stock Exchange (ASX), TNQ reorganized its shareholdings so that it could become a wholly owned subsidiary of a newly formed company, Ten Network Holdings Limited. In turn, Ten Network Holdings would become a public company listed on the ASX, and TNQ's shareholders would become Ten Network Holdings' shareholders on a share-for-share basis.

On April 2, 1998, Ten Network Holdings completed the issue of 174,175,010 ordinary shares to the Australian public at a price of A\$2.15 per share. Ten Network Holdings used the net proceeds of its share offering to acquire indirectly the TEN shares which were the subject of the ABAs orders. With the completion of this sale, CanWest returned to its original

57.5% economic interest in TEN and realized sale proceeds of approximately A\$356 million. The transaction resulted in a net cash gain for CanWest of A\$102.1 million after consideration of disposition costs. In addition, CanWest received cash distributions from its 16-month investment of approximately A\$18.5 million net of tax.

PROGRAMMING STRATEGIES

The distinctive programming philosophy adopted by TEN has been instrumental in its success in rebuilding the Network.

TEN reaches its chosen niche audience through a combination of domestic programming, U.S. network series and other international programming. The majority of TEN's non-Australian programming is obtained from major U.S. television studios such as Columbia Tristar, WorldVision, MCA Universal and Fox. TEN has negotiated multi-year agreements, or output deals, through which it secures agreed amounts of programming at agreed prices. Such agreements provide the Network with certainty of both supply and price.

Some of the top rated U.S.-produced programs seen on TEN include: *The Nanny, Mad About You, Seinfeld, Party Of Five, Melrose Place, Beverly Hills 90210, Law & Order, The X-Files, The Simpsons, NYPD Blue* and *Dawsons Creek*.

The Columbia Tristar deal also provides TEN with access to Columbia's extensive movie library featuring such recent box office hits as: *Jumanji, Sense & Sensibility, A Few Good Men* and *Philadelphia*. Last year, the agreement between TEN and Columbia Tristar was enhanced through an arrangement under which Columbia will produce a number of Australian programs for TEN, including made-for-television movies and series.

TEN continues to work on improving its stable of domestic programs with the introduction this past year of two new programs: *State Coroner, Tales of the South Seas* and *Ocean Girl*, which has been nominated in the international category of the British Academy of Film & Television Children's Awards.

The new Australian programs launched in 1998 include a series from the producers of Frontline called *The Panel* – a one-hour comedy show which reviews the weeks events a drama series entitled *Breakers*, an entertainment program, *E! News*, aimed at women 16 to 24, and *Battle of the Sexes*, a panel show running five days a week. Earlier this year, TEN commenced production on a new pre-school pilot called *In The Box*. Unquestionably Australian in its philosophy, presentation and content, *In The Box* has a fresh approach of using a child's natural curiosity as a basis for learning.

News, current affairs and sports programming continue to be mainstays at the Network. TEN produces its local news shows, a selection of local sport and a limited number of non-prime-time programs in-house. These include the likes of sports shows *RPM* and *Sports Tonight*, news programs *Meet The*



"Good Morning Australia" celebrates 1,500th show. Bert Newton (left) and the Good Morning Australia team celebrated their 1,500th show in 1998, making it one of Australia's longest running programs.

ten

- 1 Ground Zero
- 2 Battle of the Sexes
- 3 State Coroner

Press and News Week, the entertainment/current affairs hit *Good Morning Australia* and children's programs *Totally Wild* and *Cheez TV*.

AWARDS & RECOGNITION

Network TEN's Young Achievement Award recognizes outstanding accomplishments by members of the Network TEN teams throughout the country. Submissions for this year's award were outstanding, highlighting the outstanding and talented young people working at the Network. This year's winner was **Michelle Stamper** with **Racquel Stevens** and **Jacinta Hocking**, the two runners-up. They will join the other national finalists **Claudio Bertorello** and **Ben Guest** at a commemorative celebration in Sydney.

Last year's Network TEN Staff Awards went to:

- **Racquel Stevens**, Reporter Story of the Year for The Royal Agricultural Society;
- **Craig Hutchison**, Sports AFL Best TV News Report;
- **Frances McDonald**, Sports Swimming Victoria TV Media Award; and
- **Anthony Mithen**, Sports Victoria Cricket Assoc. YTV Award

The Australian Cinematographers Society's 1997 awards went to these talented Network TEN people: **Wayne Giles**, **Dene Henderson** and **Rohan Leonard** won in the News Camera Section, while **Andrew Broderick** was honoured in the TV Magazine category. **Michelle Warner**, from *Totally Wild Rescue*, was chosen as a finalist in the Dendy Film Awards for her production, *Burn Magnet*.

STRATEGIC INVESTMENTS

In 1995, Network TEN exchanged its production and studio interests and outside broadcast assets for a 10.8% shareholding in TMS, an independent supplier of production services and facilities to the Australian free-to-air and pay television industries. The deal with TMS has ensured TEN secure access to production and outside broadcasting resources in a flexible and cost effective manner.

In addition to the investment in TMS, Network TEN has established significant shareholdings in two other publicly listed Australian companies. They are:

- a 14.9% shareholding in TAL, which owns TEN affiliated television stations broadcasting to aggregated regional markets in Queensland and northern New South Wales; and
- a 14.6% shareholding in Southern Cross, which owns TEN affiliated television stations serving aggregated regional markets in southern New South Wales, the Australian Capital Territory and Victoria, one of the two commercial television licenses in Tasmania, along with radio stations in Melbourne and Perth.

The quoted market value of these unconsolidated investments exceeded their cost by A\$12 million as at August 31, 1998.

Under current Australian legislation, TEN is effectively prohibited from increasing its shareholding in TAL or Southern Cross beyond 15% of their issued capital. The BSA limits overall audience reach by a commercial television broadcaster to 75% of the total Australian population, including the reach of other broadcasters in which it has corporate interests that exceed 15%.



Network Ten Brisbane is the major sponsor of that city's Qld Winter Racing Carnival.

GROWTH OPPORTUNITIES

While much has been achieved over the last six years, Network TEN is optimistic about future growth prospects. TEN is well positioned to take advantage of superior operating efficiencies as they arise from technical advances, as well as continued refinement of work practices. Along these lines, the Network is undertaking an upgrade of its sales inventory computer system to improve the effectiveness and efficiency of its sales strategy.

While TEN's operating philosophy is to concentrate on its core business, its corporate development policy is to seek opportunities for growth through the acquisition of establishment of complementary businesses in the communications, media and entertainment industries where it can utilize its expertise and experience. This strategy will be enhanced through TEN's continuing strong relationship with CanWest. This was evidenced with the arrival in Australia in 1998 of CanWest senior executive **Gerald Noble**, who will focus on corporate development opportunities in the Australasian region.

In addition, TEN's solid balance sheet and enhanced access to capital from the public listing places the Network in a strong position to take advantage of any expansion and acquisition opportunities that may arise.

GENERAL OVERVIEW

CanWest Entertainment Group

- CanWest owns 100% of TV3; TV4 and More FM
- TV3 and TV4 represent New Zealand's only privately-owned television networks
- TV3 reaches approximately 98% of the New Zealand population
- TV4 reaches approximately 70% of the New Zealand population
- More FM operates stations in Auckland, Wellington, Christchurch and Dunedin
- Number of employees: 446

MARKET

New Zealand

- New Zealand population: 3.8 million
- 1997 television advertising revenue: NZ\$430 million
- Number of TV households: 1.2 million
- Number of national television networks: 4
- Cable and Pay TV services becoming more evident

OPERATING UNITS



TV3
Television Network



TV4
Television Network



More FM
Radio Network



FINANCIAL HIGHLIGHTS – NEW ZEALAND

(in thousands of New Zealand dollars)

(unaudited)

	For the 12 months ended August 31		For the 12 months ended June 30		
	1998	1997	1996	1995	1994
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenue	133,579	119,370	95,552	88,660	74,268
Operating profit before amortization (EBITDA)	27,422	33,598	31,172	17,317	7,317
Amortization of broadcast licences	2,952	1,329	1,099	940	940
Other amortization	6,176	5,115	5,389	5,281	5,179
Earnings before interest and income taxes	18,294	27,154	24,684	11,096	2,984
Interest income (expense)	900	1,579	970	52	(614)
Earnings before income taxes	19,194	28,733	25,654	11,148	2,370
Provision for income taxes	6,664	4,905	–	–	–
Net earnings	12,530	23,828	25,654	11,148	2,370
CONSOLIDATED BALANCE SHEETS					
Current assets	87,963	53,555	58,697	46,686	32,107
Property and equipment	42,787	44,312	35,273	31,902	34,444
Broadcast licences	64,361	67,348	37,381	34,285	35,224
Total assets	195,111	165,215	131,351	112,873	101,775
Current liabilities	35,420	24,718	18,210	18,274	18,887
Long-term liabilities	11,569	4,905	1,377	8,489	7,926
Shareholders' equity	148,122	135,592	111,764	86,110	74,962
Total liabilities and shareholders' equity	195,111	165,215	131,351	112,873	101,775
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION					
Cash generated (utilized) by:					
Operating activities					
Cash flow from operations	28,322	35,177	32,142	17,369	8,489
Capital expenditures	(4,567)	(978)	(8,142)	(2,739)	(2,984)
Changes in non-cash operating accounts	(8,490)	(15,703)	(8,301)	(2,902)	(1,786)
	15,265	18,496	15,699	11,728	3,719
Investing activities	(876)	(35,374)	(4,195)	–	–
Financing activities	–	(526)	–	(1,223)	(3,719)
Net change in cash	14,389	(17,404)	11,504	10,505	–

These consolidated accounts have been prepared in accordance with accounting principles generally accepted in Canada.

CANWEST IN NEW ZEALAND

CanWest owns and operates two national television networks along with a radio group in New Zealand. Headquartered in Auckland, its TV3 Network reaches approximately 98% of the New Zealand population, while the recently launched TV4 Network is available to about 75% of the country. More FM is a seven-station radio group operating from Auckland, Wellington, Christchurch and Dunedin. It reaches an estimated 80% of the New Zealand population.

THE REMARKABLE TURNAROUND OF TV3

CanWest entered the New Zealand market in 1991 when it purchased an initial 20% economic interest in TV3, which had fallen into receivership within two years after its launch. Westpac Banking Corporation, the Network's largest creditor, undertook a worldwide search for a buyer and operating partner CanWest, was, at the time, looking to expand its operations internationally. While remote from its operating base in Canada, the New Zealand marketplace appealed to CanWest because the broadcasting industry in that country operated within a very liberal regulatory environment, which permitted 100% foreign ownership of media operations.

With CanWest management implementing its successful operating and marketing philosophies, the foundering TV3



Bettina Hollings, General Manager, TV4, with Graeme Hunter, Managing Director, TV3 and TV4.

began to reverse its fortunes. Revenue and EBITDA have both climbed steadily since the CanWest acquisition.

This financial turnaround in seven years has been largely due to a redefining and refocusing of TV3's programming strategies and streamlining its operational overhead. Rather than attempt to compete head-on with the two government-owned



TV3 and TV4 Board of Directors. From left: Graeme Hunter, Peter Viner, Gerry Noble and Warwick Webb.
Missing: Keith Smith.



From left: Gerry Smith, Director of Transmission, Andrew Stefanou, Manager, Events and Business Development, Graeme Hunter, Managing Director, Bettina Hollings, General Manager (TV4), Mike O'Connell, Head of Operations and Engineering, Alistair Duff, Director of Sales, Annemarie Browne, Head of Communications and Warwick Webb, Director of Finance and Operations.

networks (collectively known as TVNZ), TV3 decided on a strategy of programming to an 18 to 49 year old core demographic group – the most appealing sector to New Zealand advertisers. Today, this demographic group accounts for about 80% of TV3's annual advertising revenue.

INCREASED OWNERSHIP IN TV3

In April 1997, CanWest entered into an agreement with Westpac to acquire the bank's 50% equity interest in TV3. As a result, CanWest owned a 68% stake in the Network, with options on the remaining 32% interest. In November 1997, CanWest exercised these options, resulting in 100% ownership of TV3.

TV3 MANAGEMENT

Leading the executive management group is **Graeme Hunter**, Managing Director of TV3 and TV4. Mr. Hunter was appointed to the Network's top management position in 1996.

Previously TV3's Deputy Managing Director, Mr. Hunter joined the Network in 1993, following a distinguished career in the New Zealand advertising industry.

Mr. Hunter draws upon the skills and expertise of some of New Zealand's leading television broadcasting executives. Among them are:

- **Annemarie Browne**, Head of Communications;
- **Alistair Duff**, Director of Sales;
- **Bettina Hollings**, Director of Programming and General Manager, TV4;
- **Mark Jennings**, Director of News and Corporate Affairs; and
- **Warwick Webb**, Director of Finance and Operations.

TV3 PROGRAMMING

TV3 has built a very competitive audience share, climbing to a solid 26% share in 1998. The steady growth is reflected in a strong mix of top international programming coupled with a solid and diverse range of New Zealand productions.

TV3 has a number of long-term output supply agreements with major production companies in the US. Of note is the arrangement with Buena Vista International that sees it supply US hit *Home Improvement*, award-winning feature films, and a range of children's series, specials and documentaries.

TV3 also has a strong supply agreement with MCA Universal Television which has become a major supplier of hits shows, including *Hercules: The Legendary Journeys* and *Xena: Warrior Princess*.

Other program deals that TV3 has secured include World Vision which supplies *Melrose Place* and *Beverly Hills 90210*, and NBC International.



20/20 Team. From left: Richard Langston, Karen Pickersgill, Mat Conway and Amanda Millar.

In keeping with its strategy of attracting younger viewers, other key US-produced shows seen on TV3 include *3rd Rock From The Sun*, *King Of The Hill*, *Cosby* and *Sabrina: Teenage Witch*. The Network has also secured the rights to some of the United Kingdom's most popular series, including: *Touching Evil* and *Airport*. New this season are *Vanishing Man*, *Telly Tubbies*, *Invasion Earth* and *C15*.

Local production plays an integral role in the growth of TV3's audience. Leading the way in this area are perennial hits *Inside New Zealand*, localized editions of *20/20*, *Real TV*, *Police Stop!*, *Ansett New Zealand Time Of Your Life* and *Skitz*, plus last year's Maori series hosted by Kiwi movie star **Temuera Morrison**.

The award winning *20/20* began its new season in February with two new faces – both highly experienced and respected journalists. Well-known New Zealand investigative reporter **Amanda Millar** joined the team in Wellington, as did *3 National News* reporter **Matt Conway**, who is based in Christchurch.

Also in the area of news and current affairs programming, TV3 added two of New Zealand's leading broadcasters to its *3 National News* team. **Carol Hirschfeld**, winner of the Qantas Media Award and a New Zealand Film & TV Award for her producing, directing and reporting skills, joins popular broadcaster **John Campbell** who has won or been a finalist for nine Qantas Media Awards, to form a formidable news anchor team. TV3 was the first network that adopted a two-person reporting team on its evening newscast, and the new format has shown steady growth in audience share since its inception.

New local shows premiering this season on TV3 include:

- *In The Face Of Fear* is a 30-minute series that pushes the limits of human endurance to the extreme;

- *Driving School New Zealand* provides viewers, for the first time on television, a remarkable and lifelike view of the traumas and toils of learning to drive;
- *Lion Red: The Game*, is a half-hour show that reviews and previews major sporting events of the week past and future; and
- Woolworths' *Ready, Steady, Cook* is TV3's new primetime cooking program with a difference as two chefs are challenged to cook against the clock using ingredients they have not previously seen.

TV 4 – A SUCCESSFUL FIRST YEAR

In June 1997, TV4, the upbeat television network aimed at young, urban New Zealanders between the ages of 15 and 39, was launched. Operating from the TV3 studios in Auckland, free-to-air TV4 reaches over 75% of New Zealanders living in major metropolitan centres, with an audience reach in excess of 2.4 million viewers.

TV4 has, in its first year of operation, succeeded in finding its own personality and attracting its targeted viewers. Programs which define its personality – comedy, lifestyle and entertainment – have shaped the Network's distinctive style.

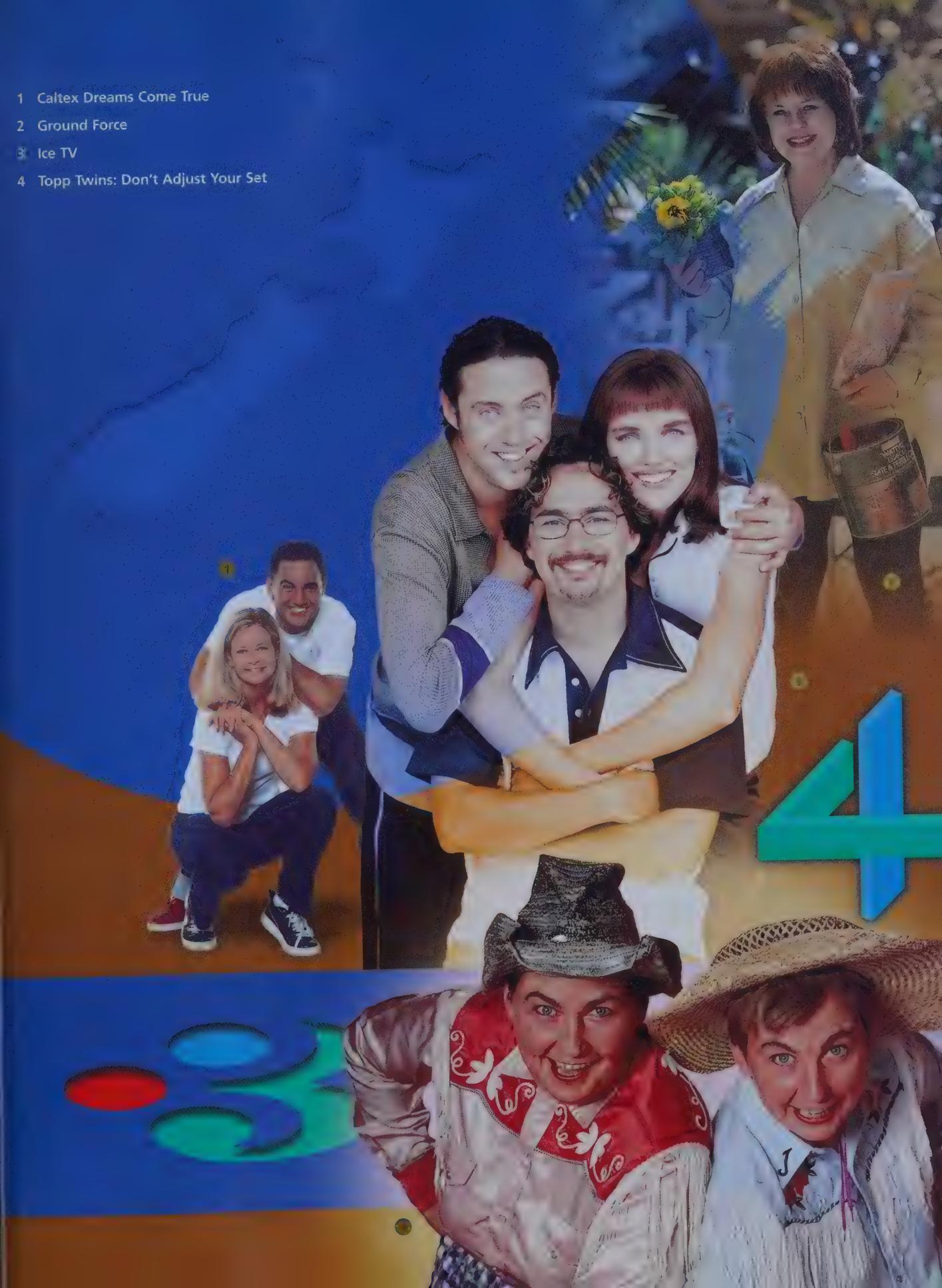
The unique style adopted by TV4 means that it sometimes airs programs that other networks are unlikely to show. A contract with Comedy Central led to TV4's acquisition of the animated adult comedy *South Park*, a big hit with New Zealand viewers.

TV4 introduced theme nights, where programs of similar genre are grouped into the same evening. This innovative scheduling approach has successfully challenged the traditional primetime mix of sitcoms, dramas and movies. Successful theme nights include Brit Comedy Wednesday, Sci-Fi Tuesday, and Makeout Monday, featuring relationship dramas. The loyalty of theme night viewers was underscored by AC Neilson figures for four successive Brit Comedy Wednesdays, where *Red Dwarf* and



Suzy Cato (far left) and Nick Eynon (far right) from Destination Planet Earth at the Starship Children's Hospital fund raising event.

- 1 Caltex Dreams Come True
- 2 Ground Force
- 3 Ice TV
- 4 Topp Twins: Don't Adjust Your Set





Brent Impey, Chief Executive Officer, More FM

Men Behaving Badly enjoyed large audiences in the 15 to 39 year old demographic.

Locally produced programs also found their niche on TV4 during its first year of operation, particularly *Ice T* and *The Drum* which are innovative shows with "attitude".

Looking to the future, TV4 programmers have been selecting shows from around the globe for the Network's second year, many of which have debuted this season.

MORE FM

In June 1997 CanWest acquired More FM, New Zealand's top-rated commercial radio network, with stations in each of the country's major urban markets.

This past fiscal year saw two key executive appointments announced: **Doug Gold**, former CEO of the Company was named Chairman of the Board, while **Brent Impey**, one of New Zealand's most experienced radio executives, was named Chief Executive Officer. A former Executive Director of the Radio Broadcasters' Association of New Zealand, Mr. Impey specialized in media law after being admitted to the New Zealand Bar in 1976.

The addition of Mr. Impey to the existing dedicated and experienced management team will ensure continued growth for the group, while Mr. Gold's appointment as Chairman will provide important continuity and stability for the operation now that he has relinquished his day-to-day operational role.

In the Spring ratings, More FM was ranked number one among all people 10 years old and over, Monday to Sunday, 20% ahead of its nearest rival. It was also ranked first in all people 18 to 34, and 25 to 44, both 20% ahead of its nearest rival.

In the 1998 NZ Radio Awards, the More FM Group of stations captured five awards including:

- Metropolitan Station of the Year – Auckland's More FM;
- Best Metropolitan Music & Entertainment Team – **Kim & Corbett** of Auckland's More FM;
- Salesperson of the Year – **Saskia Hargreaves**, More FM, Christchurch;
- Best New Broadcaster – **James Coleman**, Channel Z, Wellington; and
- Best Promotional or Image Trailer – **James Coleman** for "Beck".

COMMUNITY SPIRIT

All of CanWest's New Zealand properties play active roles in supporting the various communities in which they conduct business.

Continuing its support of New Zealand's children TV3 is a proud sponsor of Child Flight, the country's first dedicated fixed wing air ambulance which transfers critically ill newborn infants and children up to the age of 15 to hospitals for emergency intensive care.

Child Flight is one of three services provided by Auckland Helicopter Rescue Trust all of which are on 24-hour standby, seven days a week. Since its inception, Child Flight has provided more than 400 mercy missions from all parts of the country.

Christmas 1997 saw TV3 and More FM Wellington involved in numerous special events, including the region's largest initiative, Coca-Cola Christmas in the Park. This annual show, now in its third year, attracts approximately 100,000 people to Wellington's Fraser Park to an evening of festive music.

Also during the Christmas season, More FM took a sponsorship position in the Wellington City Parade, the City Mission Toy Appeal and the Hutt Valley Celebration.



The More FM cruiser van at a summer outing.

OPERATING UNITS

REPUBLIC OF IRELAND



TV3
Television
Network

NORTHERN IRELAND



Ulster
Television
plc

REPUBLIC OF IRELAND

Republic of Ireland

- Population: 3.6 million
- 1997 television advertising revenue: IRE95 million
- Number of TV households: 1.1 million
- Number of national television networks: 4

Northern Ireland

- Population: 1.5 million
- 1997 television advertising revenue: IRE70 million
- Number of TV households: 550,000
- Number of national television networks: 5

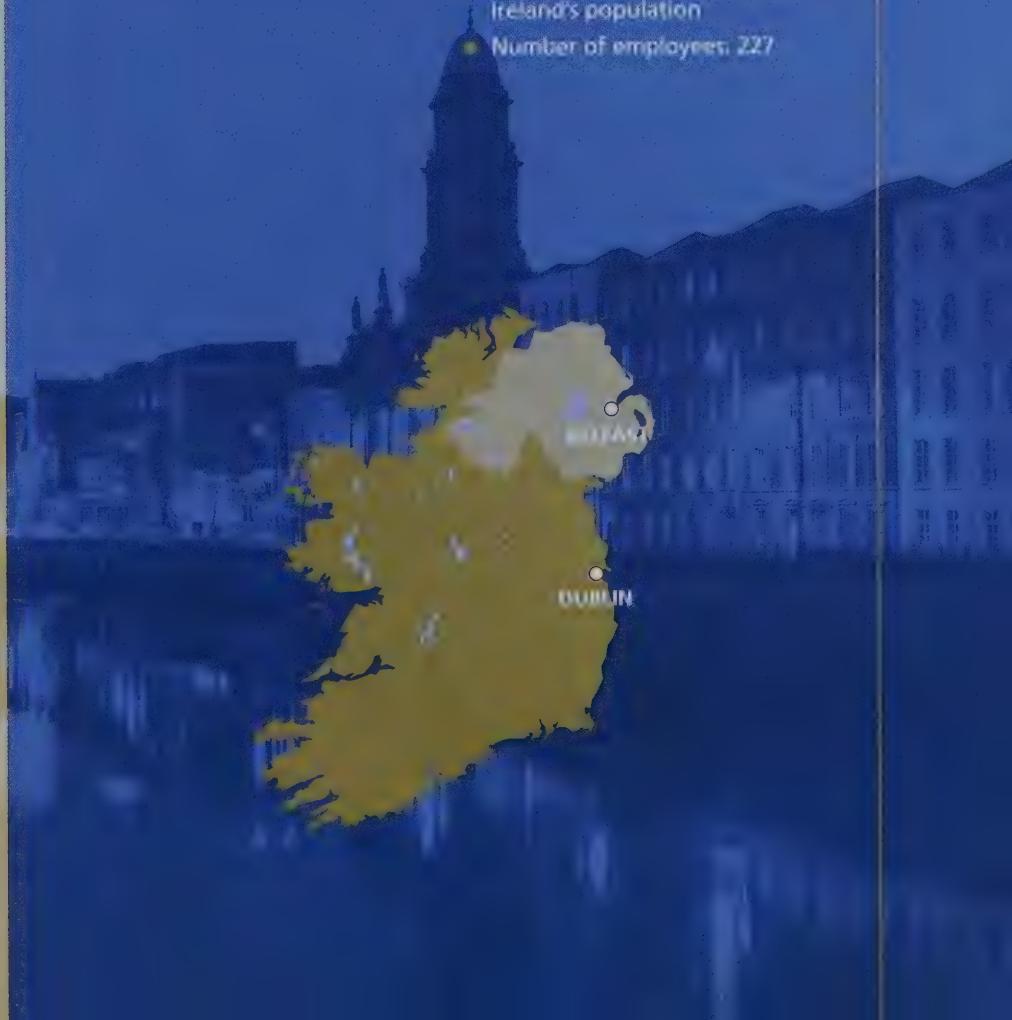
REPUBLIC OF IRELAND

TV3 Television Network

- CanWest has a 45% controlling interest in TV3
- Headquartered in Dublin
- TV3 launched successfully in September 1998
- TV3 reaches approximately 85% of the Republic of Ireland's population
- Number of employees: 135

UTV Television plc

- CanWest has a 29.9% share ownership in UTV
- Headquartered in Belfast
- Ulster Television is the ITV television service provider in Northern Ireland
- UTV has been broadcasting since 1958
- UTV reaches 97% of Northern Ireland's population
- Number of employees: 227



TV3 TELEVISION NETWORK – REPUBLIC OF IRELAND

For several years, CanWest has had, as one of its primary objectives, a desire to expand its international interests by entering the European marketplace. On September 20, 1998, the Company realized this goal with the successful launch of TV3 Television Network in the Republic of Ireland.

With a 45% stake, CanWest is the largest shareholder in the new Network and has the right to appoint the majority of the Company's Board of Directors. The other members of the consortium include **ACT Venture Capital**, Ireland's leading private equity investment company, which holds 35% of the equity; and a trio of Irish investors – **Osmond Kilkenny**, a chartered accountant with numerous clients in the entertainment industry, **Paul McGuinness**, manager of the pop band U2, and **James Morris**, Chairman of Windmill Lane Pictures Limited – collectively hold the remaining 20% of TV3.

Reaching approximately 85% of the Republic of Ireland's 3.6 million people, TV3 is the country's first independent, privately-owned national television network. Broadcasting via 12 transmitters throughout the country, TV3 operates from a state-of-the-art, fully digital facility in Dublin, using the latest digital technology available. The network employs more than 135 people and out sources all programming, other than news, from Ireland's independent production sector, creating an estimated additional 250 jobs. TV3's programming is targeted



Rick Hetherington, Chief Executive Officer of TV3.

to the 15 to 44 age group, a highly desirable demographic for advertisers.

THE BOARD AND MANAGEMENT

TV3's Board of Directors consists of 11 members. CanWest has six representatives on the TV3 Board: **David Asper**, **Leonard Asper**, **Greg Gilhooly**, **Rick Hetherington**, **Kevin Shea** and **Peter Viner**.



TV3 Board of Directors. From left: Walter Hobbs, Kevin Shea, Paul McGuinness, Leonard Asper, Greg Gilhooly, Peter Viner, James Morris, Niall Carroll, Rick Hetherington, David Asper and Ossie Kilkenny.

- 1 A Time to Kill
- 2 Real Women
- 3 From the Earth to the Moon



Messrs. **Kilkenny**, **McGuinness** and **Morris**, with Mr. Morris serving as TV3's non-executive Chairman, and **Walter Hobbs** and **Niall Carroll**, representing ACT Venture Capital, are also Directors of TV3.

An Executive Committee of the Board has been formed to assist with the conduct of the business of the Network between Board meetings. The committee consists of three members – Mr. Hetherington, who serves as Chair, Mr. Viner and Mr. Morris.

Rick Hetherington is TV3's Chief Executive Officer. A veteran of the television broadcasting industry, he was General Manager of Global Winnipeg prior to his appointment to TV3's senior management post in the Republic of Ireland. Mr. Hetherington also has extensive experience with the sales, marketing and promotional aspects of broadcasting, valuable commodities as he leads the development of TV3.

Mr. Hetherington has assembled a strong and experienced management team to assist him. They include:

- **Peter Ennis**, Operations & Engineering Director;
- **Andrew Hanlon**, News Director;
- **Patrick Kiely**, Sales Director;
- **Michael Murphy**, Program Director; and
- **Ken Scott**, Finance Director.

THE HISTORY OF TV3

The launch of TV3 has, in effect, taken nearly 10 years to complete. In 1989, Ireland's newly formed independent broadcast regulator, the IRTC, was charged with inviting applications from prospective broadcasters for the exclusive right to negotiate a television program service contract with the IRTC. The successful applicant, announced in April 1989, was a group

consisting of James Morris, Ossie Kilkenny, Paul McGuinness and John Kelleher.

Although it appeared that the new channel would be on the air in a matter of months following the awarding of the license, the first of several hurdles arose in 1990 when it was realized that the technical provisions for the successful launch of TV3 were insufficient. Then, as a result of legislative and regulatory uncertainty, coupled with the newly-faced prospect of competing with the country's two state-owned broadcasting services (RTE) for advertising revenues, TV3 was unable to secure the necessary financing prior to the IRTC imposed deadline of August 1991. It was about this time that CanWest initiated its first discussions with the Irish consortium.

Despite requests to not act until the intended changes to the relevant legislation were digested, the IRTC, without prior notice, withdrew the TV3 franchise in October 1991. This was followed by nearly two years of legal and regulatory battles, culminating with the restoration of the license in 1993, and the invitation to the original consortium to begin new negotiations for a broadcasting contract.

In September 1995, it appeared as if TV3 was back on track, as the original consortium announced a partnership with Ulster Television plc, Northern Ireland's leading broadcaster. However, this agreement was short-lived, dissolving a year later.

In February 1997, the new consortium reached an agreement with CanWest regarding the development and operation of TV3. In October of that year, the newly formed partnership signed a broadcasting contract with the IRTC, thus paving the way for the launch of TV3 in the Fall of 1998.

A STRONG MIX OF QUALITY PROGRAMMING

When Ireland's Prime Minister, the Honourable **Bertie Ahern**, and CanWest President & CEO **Peter Viner** officially "threw the switch" that launched TV3, it marked the dawning of a

ULSTER TELEVISION PLC – NORTHERN IRELAND

During fiscal 1998, CanWest purchased a 29.9% share interest in Northern Ireland's Ulster TV (UTV).

Headquartered in Belfast, UTV is the ITV television service provider in Northern Ireland. It first went on the air in 1958, and over the past 40 years, has firmly positioned itself as the number one regional television network in Northern Ireland. With a strong focus on meeting the distinctive viewing needs and preferences of its audience, UTV enjoys a viewing share in excess of 40% (all times) and approximately 45% in the 6 p.m. to 11 p.m. time period.

Its strong regional identity is reflected not only in the programs being shown, but also in the tone, style and nature of the

new era in Irish television. Offering viewers a quality alternative to the country's two state-owned networks, TV3 went to air with a mixture of news, current affairs, mini-series and Irish-produced programming. In fact, A.C. Nielsen ratings showed that TV3's "opening night" was a huge success, with fully one-third of the Irish population tuning in at some point during the evening.

TV3's overall program schedule is a mix of strong domestic programming coupled with top-rated international series, movies and specials. The current program schedule will provide a solid base upon which to build a strong Irish programming service.

TV3 is targeting those audiences, which are in high demand by Irish advertisers, and focuses its program and promotional efforts on these audiences. Among the major U.S. hit series acquired for its initial broadcast year are *Mad About You*, *Just Shoot Me*, *Hercules*, *Buffy The Vampire Slayer* and *Early Edition*. An impressive roster of movies has also been acquired, including *Natural Born Killers*, *Broken Vows*, *The Quick and the Dead*, *Heat* and *A Time To Kill*.

Domestic programming is part of TV3's first year, as the Network has commissioned programs from companies in the Irish independent production sector including Windmill Lane Pictures and leading independent producer John Kelleher.

One of the UK's most popular dramas, *Eastenders*, will anchor TV3's British programming. Other significant homegrown programs seen on TV3 will include *C15 – The Professionals*, an updated version of one of the most successful UK action series ever made, *Seesaw*, starring **David Suchet** of Hercule Poirot fame, and *Touching Evil*.

News programming also plays an integral role in TV3's first year of operation, with the Network producing its own news and sports broadcasts.

presentation of the service which is targeted primarily at a younger demographic audience. Regional programming is the mainstay of UTV's service and over the years, has been the driver of the network's solid ratings figures.

In its annual performance review of Northern Ireland's television networks, the Independent Television Commission (ITC) has, on more than one occasion, noted that UTV "has maintained, and in some cases improved on the quality of its well resourced regional programs", and that it has "showed a strong commitment to tackling issues of concern to communities throughout the Province."

As a corporation, CanWest has a distinguished history of outstanding commitment to and involvement in the community (particularly in Winnipeg where the company is headquartered) and the broadcasting industry. CanWest executives and senior managers are encouraged to take active roles on boards and committees, devote time to charitable organizations, and participate in fundraising events in their particular cities. The Company also supports many initiatives relating to the broadcast industry. It is corporate policy to encourage all employees to take an active role in their communities and contribute both financially and through volunteerism.

This commitment is reflected in the many sponsorship and philanthropic activities in which CanWest is involved. Toward this end, CanWest has been designated a "Caring Company" by the Canadian Centre for Philanthropy. As such, it is corporate policy to donate between 1% and 2% per year of our pre-tax profits to charities and non-profit organizations associated with our industry. In addition, all of our television operations worldwide routinely donate significant amounts of airtime in support of worthy charitable and community-related projects.

In addition, the Company recently formed the CanWest Global Charitable Foundation to oversee and monitor its philanthropic activities. **Gail Asper** was named President of the new Foundation.

CanWest firmly believes in supporting the societies and economies from which we benefit. In particular, the Company is a major supporter of the United Way in all of the communities where we conduct business. In addition, our employees, both at Head Office and throughout the



CanWest President and CEO Peter Viner joined the Manitoba Business Council in 1998. Mr Viner is seen here chatting with fellow members Kerry Hawkins (left), President and CEO of Cargill Grain, and Ray McFeeitors, President and CEO of the Great-West Life Assurance Company.

organization, enthusiastically participate in raising funds for the various needy organizations under the United Way umbrella. As well, many of the Company's senior executives are "Leaders of the Way", donating in excess of \$1,000.

COMMUNITY SERVICE

CanWest's senior executives are encouraged to take a leadership role in helping to raise the quality of living in their respective communities. They take key positions on community, corporate and charitable boards of directors and committees, and often lead the way on fundraising drives. Some of them are:

David Asper: Founding Director, Lieutenant Governor's Youth Experience Program; Member, Winnipeg 2000 Downtown Task Force; Ceremonies Committee, 1999 Pan-Am Games; Member, Investment Committee, Jewish Foundation of Manitoba.

Gail Asper: Past President, Manitoba Theatre Centre Board of Trustees and Co-chair of \$5 million capital campaign; Director, St. Boniface General Hospital Research Foundation; Chair, Leadership Giving Division, United Way.

Leonard Asper: Chairman, Young Associates, University of Manitoba School of Business; Member, Manitoba Economic Innovation & Technology Council; Member, Canada West Foundation; Chairman, Rossbrook House Sunrise Fund; Director, Sharon Home.



Winnipeg Mayor Susan Thompson greets U.S. Ambassador Gordon Giffin at a CanWest-sponsored reception to welcome the new ambassador. Looking on are Executive Chairman I.H. Asper and long-time CanWest shareholder, Senator Richard Kroft.

Greg Campbell: Director, Saskatchewan Film & Video Development Corporation.

Rick Friesen: Vice-President, Rotary Club of Dartmouth East; Co-Chair, Atlantic Association of Broadcasters 1998 convention.

Monte Graham: Director, Western Association of Broadcasters.

Peter Liba: Chairman, St. Boniface General Hospital; Chairman, Dorais Charities Inc.

John Maguire: Member, Finance Committee, Red River Exhibition; Member, Leadership Committee, United Way of Winnipeg.

Jim Rusnak: Director, Canadian Association of Broadcasters; Co-Chair, 1998 CAB Convention; media advisor, Children's Hospital Foundation.

Stan Schmidt: Past President, Saskatchewan Association of Broadcasters; 1st Vice-President, Saskatchewan Chamber of Commerce; Member, Marketing Committee, United Way of Saskatoon.

Kevin Shea: Honorary Chair, R.E.A.C.H. For The Rainbow Society.

Tom Strike: Member, Winnipeg Millennium Council; Member, Investment Committee, Manitoba Museum of Man and Nature.

Jim Sward: Director, Canadian Association of Broadcasters.

Jack Tomik: President, British Columbia Association of Broadcasters.

Peter Viner: Member, Manitoba Business Council.



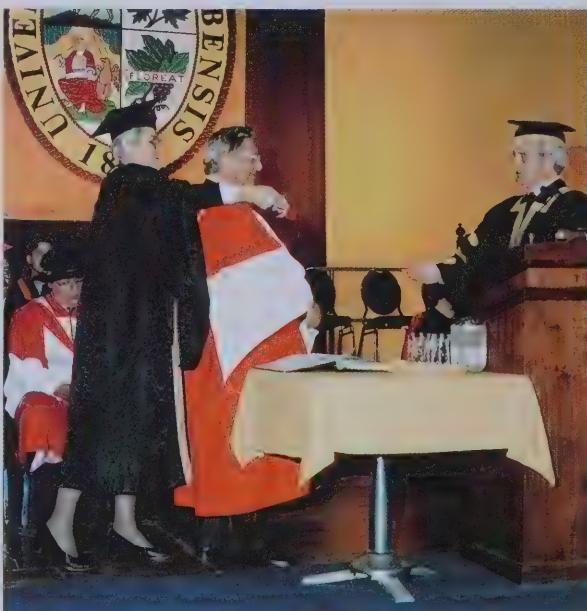
Peter Liba being inducted into the Broadcast Hall of Fame. Making the presentation are Michael McCabe (left), President, CAB and Duff Roman, CAB Chairman.

HONOURS AND AWARDS

CanWest Executive Chairman **I.H. Asper** was awarded the Sol Kanee Distinguished Community Service Medal which recognizes individuals who have demonstrated leadership and commitment to the local, national and/or international Jewish community. In making the presentation in May 1998, Larry Hurtig, President of the Winnipeg Jewish Community Council said: "(His) tireless efforts and support of both the Jewish and general communities are an inspiration to others." Mr. Asper was also the recipient of another award last year, when the University of Manitoba bestowed upon him an honorary Doctor of Law.

Peter Liba, Executive Director, Corporate Affairs was twice honored this year by his industry peers. In June, the Western Association of Broadcasters named him an Honorary Life Member for his contributions to Canadian broadcasting, and the leadership role he has played in the industry. In the Fall, Mr. Liba was inducted into the Canadian Broadcast Hall of Fame. R.E.A.C.H. for the Rainbow, an Ontario-based organization that recognizes the uniqueness of children with disabilities, named **Kevin Shea**, President, Global Television Network, its 1998 Man Of The Year. The award of distinction goes to an individual deserving of recognition for his/her overall efforts and contributions to R.E.A.C.H.

The United Way of Saskatoon recently paid tribute to **Stan Schmidt**, General Manager, Global Saskatoon, for his dedication and support of the United Way by presenting him with its Community Service Award.



University of Manitoba President Emöke Szathmáry assists CanWest Executive Chairman I.H. Asper with his gown as he prepares to receive his Honourary Doctor of Law from Chancellor Arthur V. Mauro.

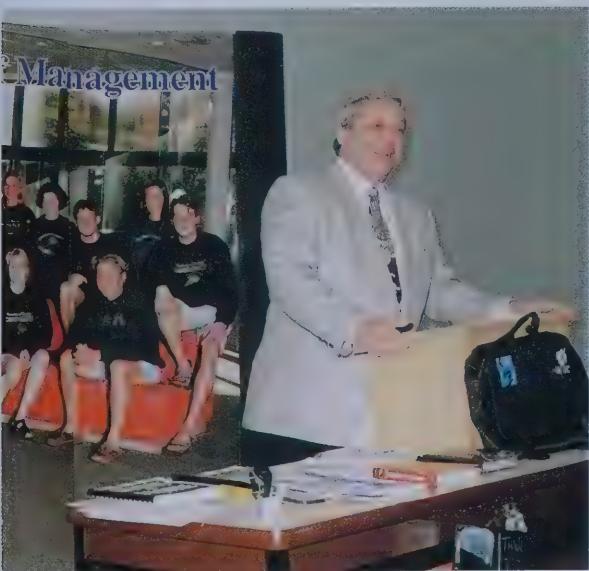
CANWEST GLOBAL SCHOLARSHIPS

Maintaining its leadership role in the Canadian broadcasting industry, CanWest once again sponsored the Broadcaster of the Future Awards in conjunction with the Canadian Association of Broadcasters. Designed to encourage and assist talented young Canadians to further their careers in broadcasting, the scholarships are presented in three categories:

The Broadcaster of the Future Award for Aboriginal People, valued at up to \$10,000, is aimed at encouraging Aboriginal people to pursue a career in broadcasting by providing a four-month, paid internship at the Global Television Network. The 1998 winner was **Kareena Butler** of North Bay, Ontario.

The Broadcaster of the Future Award for a Canadian Visible Minority student, valued at up to \$4,000, is awarded to a Canadian citizen who is from a self-identified visible minority group. The scholarship covers all expenses associated with first year enrollment in a post secondary Radio and Television Arts or Journalism program at a Canadian university, community college or polytechnic institute. This year's winner was **Erica Shaw** of Montreal.

The Broadcaster of the Future Award for a Canadian With a Physical Disability, valued at up to \$15,000, provides a combination of educational funding and practical hands-on training to a Canadian student with a mobility impairment. Financial assistance comes in the form of a scholarship for one year in a radio and television arts program or journalism program. The award also includes an internship at a Global Television Network station for the summer. The 1998 winner in this category was **Emily Hub** of Newmarket, Ontario.



CanWest Executive Chairman I.H. Asper addresses a group of students at the opening of the Asper Bizcamp for Young Entrepreneurs at the University of Manitoba's Faculty of Management.

BROADCAST ENTREPRENEUR OF THE FUTURE AWARD

CanWest Global is the proud sponsor of the I.H. Asper Broadcast Entrepreneur of the Future Award. It is presented annually to a broadcast executive with less than 10 years experience in the broadcast industry, and whose entrepreneurial skills, creativity and vision have set him/her apart from their peers and have enabled them to make outstanding contributions to their company. The award is valued at \$5,000, with the funds being allocated for the further development by the winner of his/her entrepreneurial skills. The award is administered by the Canadian Association of Broadcasters. This year's winner was **Sue McGarvie**, host of her own call-in radio show.

CWC MANAGEMENT DEVELOPMENT FOR WOMEN AWARD

The Company this year launched the inaugural Global Television Network CWC Management Development for Women Award. This \$7,500 award, funded by Global Television, in conjunction with Canadian Women in Communications, provided two female broadcast executives with the opportunity to attend the National Association of Broadcasters' 1998 Management Development Seminar for Television Executives at Northwestern University in Illinois.

This year's recipients were: Global's own **Tamara Poirier**, Director, Creative Services at Global Vancouver, and **Lisa Lyons**, Vice-President, Distribution & Affiliate Relations for Atlantis Broadcasting Inc.

CORPORATE MATCHING GIFT PROGRAM

To assist employees in their efforts to become active participants in community affairs, the Company provides a Matching Gift and Community Service Support Program. It is designed to provide financial support to non-profit organizations with which a CanWest employee is involved as a volunteer, and makes a financial contribution of his or her own to that organization. Employees can apply to the Company to have their donations matched by CanWest, on a dollar-for-dollar basis, up to a maximum of \$200. To honour the employee who has made the most significant contribution to charitable and community-related activities, the Company also makes a \$1,000 donation, in the name of the employee, to the charity or non-profit group designated by the winner. The 1998 winners are profiled elsewhere in this Report.

CORPORATE SUPPORT OF THE PERFORMING ARTS

Because our core business, broadcasting, is related to and supported by the Canadian performing arts industry, and because support for this particular sector is constantly being cut

back by all levels of government, CanWest focuses much of its charitable giving and sponsorship dollars on the performing arts community.

CanWest is also a major sponsor and contributor to several broadcast industry-related initiatives and events in Canada, including The Banff Film Festival, the annual Canadian Association of Broadcasters Convention, Canadian Women in Communications, and The Academy of Canadian Film and Television.

BUILDING A BETTER MANITOBA

In its home province of Manitoba, where the Company's Head Office is located, CanWest made several contributions during fiscal 1998 to charitable organizations and fundraising campaigns, and sponsored numerous events and activities.

Of primary note was the \$700,000 pledge to the Manitoba Theatre for Young People for the construction of its new "home", which will be called The CanWest Global Performing Arts Centre. Now under construction, the 20,000 square foot, state-of-the-art venue will be located downtown near the Manitoba Children's Museum at Winnipeg's renowned Forks Market, and will open in time for the Pan American Games, coming to Winnipeg in July 1999. The new facility is uniquely designed to accommodate the distinctive needs of staging children's theatre and will house a vibrant theatre school. In addition, the provision for several rehearsal halls will allow for the continued development of new Canadian performances aimed at children's audiences.



Artist's model of the new CanWest Global Performing Arts Centre to house the Manitoba Theatre for Young People.



Artist's rendering of the scoreboard for CanWest Global Park, Winnipeg's new baseball stadium.

CanWest made a \$1.5 million contribution to the construction of Winnipeg's new city-owned baseball stadium, which also will be located downtown near both the Forks Market and the historic corner of Portage and Main. This first class facility for the city's professional baseball team will also house the marquee baseball events during the 1999 Pan American Games. The complex will also be used to promote amateur baseball in Manitoba and provide an outdoor fixed-seat

performing arts venue which does not currently exist in the province. In recognition of the CanWest contribution, the stadium will be called CanWest Global Park.

The Company continued with many of its corporate sponsorships with major arts and cultural groups in the city. Among them this year were: The Winnipeg Symphony Orchestra, Manitoba Theatre Centre, The Royal Winnipeg Ballet, The Prairie Theatre Exchange, Rainbow Stage and the West End Cultural Centre.

CanWest is also a major sponsor of the annual Jazz Winnipeg Festival and the CanWest Global Jazz Achievement Award, which recognizes and salutes an individual who has made significant contributions to jazz music in Manitoba.

The accompanying financial statements were prepared by the management of the Company, which is responsible for the integrity and objectivity of the information contained therein. The statements have been prepared by qualified personnel in accordance with policies and procedures established by management. The Company's procedures and related internal control systems are designed to provide assurance that accounting records are reliable and to safeguard the Company's assets.

In management's opinion, the consolidated financial statements fairly reflect the financial position of the Company, the results of its operations and the changes in its financial position, prepared in accordance with generally accepted accounting principles.

In addition to the consolidated financial statements, management has prepared unaudited combined financial statements which include the accounts of the Company's investment in Network Ten on a proportionately consolidated basis which are supplementary to the consolidated financial statements. Management believes that the unaudited combined financial statements provide additional meaningful information regarding the magnitude and impact of the Company's investment in Network TEN. PricewaterhouseCoopers LLP, Chartered Accountants' compilation report on the unaudited combined financial statements can be found on page 56.

PricewaterhouseCoopers LLP, as the Company's external auditors, have audited the consolidated financial statements and their report can be found on page 62. Their opinion is based upon an examination conducted in accordance with generally accepted auditing standards and a review of the Company's accounting policies and procedures and internal control systems. Based upon the evaluation of these systems, the external auditors conduct appropriate tests of the Company's account-



John E. Maguire, C.A., Vice-President, Finance and Chief Financial Officer

ing records and obtain sufficient audit evidence to provide reasonable assurance that the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The Audit Committee, none of the members of which are officers of the Company, meets at various times throughout the year, and reviews the Company's consolidated financial statements before recommending them to the board of directors for approval. It also reviews reports prepared by the external auditors of the Company on the Company's accounting policies and procedures and internal control systems. The Audit Committee recommends the appointment of the Company's external auditors, who are appointed annually by the Company's shareholders.

A handwritten signature in black ink, appearing to read "John E. Maguire".

John E. Maguire, C.A.
*Vice-President, Finance and
Chief Financial Officer*

COMBINED FINANCIAL STATEMENTS

For the years ended August 31, 1998 and 1997
(Unaudited)

COMPILATION REPORT

To The Directors Of
CanWest Global Communications Corp.

We have reviewed, as to compilation only, the accompanying unaudited combined balance sheets of CanWest Global Communications Corp. as at August 31, 1998 and August 31, 1997 and the unaudited combined statements of earnings, retained earnings and changes in financial position for the years then ended which have been prepared for inclusion in the Company's annual report. In our opinion, these unaudited combined financial statements have been properly compiled to give effect to proportionate consolidation of the Company's investment in The TEN Group Limited and the assumptions described in Note 1 thereto.

Readers are cautioned that these unaudited combined financial statements have been prepared by management as supplementary information to, and not as a replacement for, the audited consolidated financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

Winnipeg, Canada

October 30, 1998

COMBINED STATEMENTS OF EARNINGS

For the years ended August 31
(Unaudited)

	1998 \$000	1997 \$000
Revenue		
Broadcast operating expenses	871,435	835,118
Broadcast operating profit before amortization	557,210	544,571
Corporate and development expenses	314,225	290,547
Operating profit before amortization	13,112	16,216
Amortization of broadcast licences and goodwill	301,113	274,331
Other amortization	16,603	18,391
	18,823	16,495
Financing expenses	265,687	239,445
Investment income	(33,780)	(18,441)
	5,321	1,703
Provision for income taxes	237,228	222,707
Earnings before the following	88,493	82,205
Minority interest	148,735	140,502
Interest in earnings of equity accounted affiliates	(4,345)	(3,711)
	970	971
Earnings before gain on sale of an 18.5% economic interest in Network TEN and realized translation adjustments	145,360	137,762
Gain on sale of an 18.5% economic interest in Network TEN, net of realized translation adjustments	60,757	–
Other realized translation adjustments	(6,000)	4,100
Net earnings for the year	200,117	141,862

Earnings Per Share:

Earnings before gain on sale of an 18.5% economic interest in Network TEN and realized translation adjustments	\$ 0.97	\$ 0.93
Basic	\$ 0.97	\$ 0.92
Fully diluted	\$ 0.97	\$ 0.92
Net earnings		
Basic	\$ 1.34	\$ 0.96
Fully diluted	\$ 1.33	\$ 0.95

The notes constitute an integral part of the combined financial statements.

COMBINED BALANCE SHEETS

As at August 31
(Unaudited)

	1998 \$000	1997 \$000
ASSETS		
Current Assets		
Cash and short term investments	65,303	110,651
Accounts receivable	160,006	140,998
Film and program rights	103,068	110,827
Other	6,294	10,756
	334,671	373,232
Other investments	495,092	123,719
Film and program rights	9,590	2,371
Property and equipment	128,404	129,232
Broadcast licences and goodwill	433,544	701,776
Other assets	58,008	43,153
	1,459,309	1,373,483
LIABILITIES		
Current Liabilities		
Bank loans and advances	1,878	9,396
Accounts payable and accrued liabilities	143,844	137,265
Income taxes payable	35,087	38,511
Film and program accounts payable	52,603	52,151
Deferred revenue	8,341	—
Current portion of long-term debt	2,358	—
	244,111	237,323
Long-term debt	471,146	508,898
Film and program accounts payable	963	10,453
Other long-term liabilities	8,534	11,918
Deferred income taxes	32,396	42,773
Minority interest	16,118	11,054
	773,268	822,419
SHAREHOLDERS' EQUITY		
Capital stock	412,434	409,305
Contributed surplus	3,647	3,647
Retained earnings	311,544	152,451
Cumulative foreign currency translation adjustments	(41,584)	(14,339)
	686,041	551,064
	1,459,309	1,373,483

The notes constitute an integral part of the combined financial statements.

COMBINED STATEMENTS OF RETAINED EARNINGS

For the years ended August 31
 (Unaudited)

	1998 \$000	1997 \$000
Retained earnings – beginning of year	152,451	36,546
Net earnings for the year	200,117	141,862
Dividends	(41,024)	(25,957)
Retained earnings – end of year	311,544	152,451

The notes constitute an integral part of the combined financial statements.

COMBINED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended August 31
(Unaudited)

	1998 \$000	1997 \$000
CASH GENERATED (UTILIZED) BY:		
Operating Activities		
Net earnings for the year	200,117	141,862
Items not affecting cash		
Amortization	36,245	35,599
Deferred income taxes	(5,962)	29,064
Interest in earnings of equity accounted affiliates	(970)	(971)
Minority interest	4,345	3,711
Gain on sale of an 18.5% economic interest in Network TEN	(60,757)	–
Realized translation adjustments	6,000	(4,100)
	179,018	205,165
Purchase of property and equipment	(13,970)	(7,159)
Changes in non-cash operating accounts	(9,964)	(38,116)
	155,084	159,890
Investing Activities		
Financing of investment in Network TEN	–	(259,350)
Acquisition of media properties	(62,786)	(89,660)
Other investments	(376,137)	(59,166)
Proceeds from sale of an 18.5% economic interest in Network TEN	332,847	–
Acquisition and construction of broadcast facilities and licences	(32,420)	(19,600)
Other	(626)	(6,332)
	(139,122)	(434,108)
Financing Activities		
Dividends paid	(41,024)	(25,957)
Network TEN dividends	–	(14,800)
Issuance (Repayment) of long-term debt	(15,897)	234,614
Issuance of share capital	3,129	3,081
Net change in bank loans and advances	(7,518)	5,751
	(61,310)	202,689
Net change in cash	(45,348)	(71,529)
Cash – beginning of year	110,651	182,180
Cash – end of year	65,303	110,651
Cash flow per share		
Basic	\$ 1.20	\$ 1.38
Fully diluted	\$ 1.19	\$ 1.37

The notes constitute an integral part of the combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the years ended August 31, 1998 and 1997
(unaudited)

1. BASIS OF PRESENTATION

These financial statements have been prepared on a combined basis to proportionately consolidate the Company's 57.5% (76% to April, 1998, 66% to December 31, 1996 and 57.5% to October 31, 1996) economic interest in Network TEN. Under generally accepted accounting principles, the Company's investment in Network TEN is accounted using the equity method. Under this method, the Company's share of net earnings and net assets of Network TEN are reported on one line in each of the statement of earnings and balance sheet. In management's opinion, these combined financial statements, reflecting the Company's proportionate interest in Network TEN's net earnings and net assets on a line-by-line basis, more clearly portray the magnitude of the Company's broadcasting operations.

2. SEGMENTED INFORMATION

The Company operates primarily within the television broadcasting industry in Canada, Australia and New Zealand. Geographic segmented information in Canadian dollars is as follows:

	Canada \$000	Australia \$000	New Zealand \$000	Corporate \$000	Combined \$000
Revenue					
1998	434,508	326,141	110,786	—	871,435
1997	365,312	374,732	95,074	—	835,118
Operating Profit Before Amortization					
1998	170,397	120,307	23,521	(13,112)	301,113
1997	139,887	125,111	25,549	(16,216)	274,331
Identifiable Assets					
1998	474,047	266,685	180,610	537,967	1,459,309
1997	326,041	617,963	188,638	240,841	1,373,483

For the years ended August 31, 1998 and 1997

AUDITORS' REPORT

**To The Shareholders Of
CanWest Global Communications Corp.**

We have audited the consolidated balance sheets of CanWest Global Communications Corp. as at August 31, 1998 and August 31, 1997 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 1998 and August 31, 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Winnipeg, Canada

October 30, 1998

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended August 31

	1998 \$000	1997 \$000
Revenue		
Broadcast operating expenses		
	545,294	460,386
	351,376	294,950
	193,918	165,436
Broadcast operating profit before amortization		
Corporate and development expenses		
	13,112	16,216
	180,806	149,220
Operating profit before amortization		
Amortization of broadcast licences and goodwill		
	8,324	7,393
Other amortization		
	13,808	10,528
	158,674	131,299
	(29,419)	(12,558)
Financing expenses		
Investment income		
	5,321	1,703
	134,576	120,444
	58,931	50,460
Provision for income taxes		
Earnings before the following		
Minority interest		
Interest in earnings of Network TEN		
Gain on sale of an 18.5% economic interest in Network TEN, net of realized translation adjustments		
Other realized translation adjustments		
	60,757	—
	(6,000)	4,100
Net earnings for the year	200,117	141,862
Net Earnings Per Share		
Basic	\$ 1.34	\$ 0.96
Fully diluted	\$ 1.33	\$ 0.95

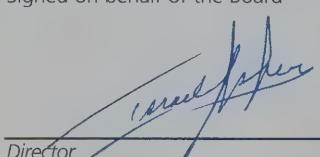
The notes constitute an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

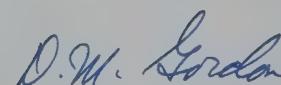
As at August 31

	1998 \$000	1997 \$000
ASSETS		
Current Assets		
Cash and short term investments	57,826	105,163
Accounts receivable	121,390	84,616
Distributions receivable from Network TEN	27,144	—
Film and program rights	74,277	51,475
Other	5,869	7,626
	286,506	248,880
Investment in Network TEN	116,681	413,817
Other investments	474,798	98,661
Film and program rights	9,590	2,371
Property and equipment	108,954	98,181
Broadcast licences and goodwill	292,101	267,073
Other assets	57,268	40,354
	1,345,898	1,169,337
LIABILITIES		
Current Liabilities		
Bank loans and advances	1,878	9,396
Accounts payable and accrued liabilities	97,466	62,522
Income taxes payable	13,484	26,781
Film and program accounts payable	27,690	15,744
Deferred revenue	8,341	—
Current portion of long-term debt	2,358	—
	151,217	114,443
Long-term debt	455,637	462,764
Film and program accounts payable	963	828
Deferred income taxes	35,922	29,183
Minority interest	16,118	11,055
	659,857	618,273
SHAREHOLDERS' EQUITY		
Capital stock	412,434	409,305
Contributed surplus	3,647	3,647
Retained earnings	311,544	152,451
Cumulative foreign currency translation adjustments	(41,584)	(14,339)
	686,041	551,064
	1,345,898	1,169,337

Signed on behalf of the Board



Director



Director

The notes constitute an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended August 31

	1998 \$000	1997 \$000
Retained earnings – beginning of year	152,451	36,546
Net earnings for the year	200,117	141,862
Dividends	(41,024)	(25,957)
Retained earnings – end of year	311,544	152,451

The notes constitute an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended August 31

	1998 \$000	1997 \$000
CASH GENERATED (UTILIZED) BY:		
Operating Activities		
Net earnings for the year	200,117	141,862
Items not affecting cash		
Amortization	22,951	18,634
Deferred income taxes	8,423	10,213
Interest in earnings of Network TEN	(74,060)	(71,489)
Minority interest	4,345	3,711
Realized translation adjustments	6,000	(4,100)
Net gain on sale of an 18.5% economic interest in Network TEN	(60,757)	–
Distributions from Network TEN	76,166	56,392
	183,185	155,223
Purchase of property and equipment	(11,069)	(5,858)
Changes in non-cash operating accounts	(31,589)	(7,639)
	140,527	141,726
Investing Activities		
Financing of investment in Network TEN	–	(266,907)
Acquisition of media properties	(62,786)	(89,660)
Other investments	(376,137)	(59,166)
Proceeds from sale of an 18.5% economic interest in Network TEN	335,163	–
Purchase of broadcast facilities and licences	(32,420)	(19,600)
Other	628	(4,991)
	(135,552)	(440,324)
Financing Activities		
Dividends paid	(41,024)	(25,957)
Issuance (Repayment) of long-term debt	(6,899)	,256,614
Issuance of share capital	3,129	3,081
Net change in bank loans and advances	(7,518)	5,751
	(52,312)	239,489
Net change in cash	(47,337)	(59,109)
Cash – beginning of year	105,163	164,272
Cash – end of year	57,826	105,163
Cash flow per share		
Basic	\$ 1.22	\$ 1.05
Fully diluted	\$ 1.21	\$ 1.04

The notes constitute an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended August 31, 1998 and 1997

1. SIGNIFICANT ACCOUNTING POLICIES

The Company is an international media company. In Canada, the Company owns and operates the Global Television Network and Global Prime Cable Network, as well as Fireworks Entertainment Inc. ("Fireworks"), a film and television production and distribution company. Internationally, the Company owns and operates New Zealand's TV3 ("TV3") and TV4 ("TV4") Television Networks and the More FM Radio Network ("More FM"). As at August 31, 1998, the Company also has a 57.5% economic interest in The TEN Group Limited, which owns and operates Australia's TEN Television Network ("Network TEN"), an 80% equity interest in the Republic of Ireland's new TV3 Television Network Limited ("TV3 Ireland") and a 29.9% equity interest in Northern Ireland's Ulster Television plc ("UTV").

The preparation of financial statements in accordance with generally accepted accounting principles requires the Company to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingencies. Future events could alter such estimates in the near term.

A summary of significant accounting policies followed in the preparation of these consolidated financial statements is as follows:

Basis of presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. All amounts are expressed in Canadian dollars unless otherwise noted. A reconciliation to accounting principles generally accepted in the United States is provided in Note 16.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

Film and program rights

The Company has entered into various agreements for the rights to broadcast certain feature films and syndicated television programs. The Company records a liability for film and program rights and the corresponding asset when films and programs are available for telecast. Film and program costs are charged to operations as programs are telecast over the anticipated period of use. Film and program rights are carried at the lower of unamortized cost or net recoverable value based on undiscounted future cash flows.

Foreign currency translation

The Company's operations in Australia, New Zealand and Ireland represent self-sustaining foreign operations, and the respective accounts have been translated into Canadian dollars in accordance with the current rate method. Assets and liabilities are translated at the exchange rates prevailing at the balance sheet dates, and revenue and expenses are translated on the basis of average exchange rates during the periods. Any gains or losses arising from the translation of these accounts are deferred and included as a component of shareholders' equity as cumulative foreign currency translation adjustments. An applicable portion of these deferred gains and losses is included in the determination of net income when there is a reduction of the net investment.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided over the assets' estimated useful lives on a straight line basis at the following annual rates:

Buildings	2 1/2% - 5%
Broadcast and transmission facilities and other equipment	5% - 33 1/3%
Leasehold and land improvements	2 1/2% - 20%

Broadcast licences and goodwill

Broadcast licences and goodwill are recorded at cost. Amortization is provided on a straight line basis over 40 year periods. The Company reviews the carrying value of its broadcast licences and goodwill to determine if there has been a permanent impairment in value. The measurement of possible impairment is based primarily on the ability to recover the balances from expected future operating cash flows on an undiscounted basis.

Investments

The Company accounts for its investment in Network TEN using the equity method. Other investments are recorded at cost.

Pre-operating costs

Pre-operating costs incurred in new business undertakings are deferred prior to the commencement of commercial operations. Pre-operating costs are amortized over a period of 5 years.

Revenue recognition

Revenue consists primarily of the sale of air time which is recognized at the time commercials are broadcast, net of applicable agency commissions.

Fees derived from financing film and television programs are recognized as revenue over the expected term of the loan.

Income taxes

Income taxes are provided using the tax allocation method whereby income taxes are recorded in the period in which transactions affect earnings, regardless of the period in which transactions are recognized for income tax purposes.

1. SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

Income taxes on unremitted earnings of Network TEN are provided at rates applicable to distributions and are reflected as a reduction in interest in earnings from Network TEN. Income taxes on unremitted earnings of the other foreign operations are not provided as such earnings are expected to be indefinitely reinvested.

Cash

For the purpose of the statements of changes in financial position, cash includes cash and short term investments with maturities of up to three months.

Per Share Calculations

Basic earnings and cash flow per share are calculated using the daily weighted average number of shares outstanding. Cash flow is defined as earnings from before amortization, deferred income taxes, interest in earnings of Network TEN net of cash distributions and realization of cumulative translation adjustments therefrom, gain on disposition of investments and minority interest.

Fully diluted earnings and cash flow per share are calculated using the daily weighted average number of shares that would have been outstanding at the year end date had all of the stock options issued by the company been exercised at the later of the beginning of the year and when granted. Imputed earnings of \$436,000 have been calculated on the proceeds from the exercise of stock options using a 3.33% after-tax rate of return. In 1997, imputed earnings of \$288,000 were calculated on the proceeds from the exercise of stock options using a 2.74% after-tax rate of return.

Financial Instruments

The fair values of the Company's financial assets and liabilities represent estimates of amounts at which these assets and liabilities could be exchanged in arm's length transactions between willing parties. As at August 31, 1998 and 1997, the carrying value of the Company's financial assets and liabilities approximate their fair market value except for certain investments more fully described in Note 4 and an interest rate swap described in Note 8. The financing costs in respect of the Company's interest rate swap contracts are amortized over the life of the related debt instrument.

2. ACQUISITIONS

- (a) Effective May 1998, the Company acquired Fireworks, an independent film and television production and distribution company, for \$64,725,000.

Effective September 1997, the Company acquired a 51% interest in an English-service broadcast undertaking in Quebec known as CKMI for \$12,100,000. The service has been renamed Global Quebec. The Company has an option to acquire the remaining 49% interest after five years for \$1,000,000.

Effective November 1996, the Company acquired the remaining 50% interest in TV3, a New Zealand television network, for \$76,239,000.

Effective August 1997, the Company acquired More FM, a commercial radio network in New Zealand, for \$29,155,000.

The Company accounted for these acquisitions using the purchase method. A summary of the fair value of the net assets acquired is as follows:

	1998 \$000	1997 \$000	
	Fireworks	CKMI	Total
Cash	15,039	—	15,039
Other current assets	14,734	—	14,734
Investment in film and programs	12,556	—	12,556
Benefit of unutilized income tax	—	—	—
Property and equipment	—	—	—
Broadcast licences and goodwill	33,496	13,100	46,596
Other assets	7,204	—	7,204
Current liabilities	(16,174)	—	(16,174)
Long-term liabilities	(2,130)	—	(2,130)
	64,725	13,100	77,825
Consideration:			
Cash	60,475	12,100	72,575
Other	4,250	1,000	5,250
	64,725	13,100	77,825
			105,394

The results of operations reflect the revenues and expenses of the acquired operations since the dates of acquisition.

- (b) During 1998, the Company established TV3 Ireland. TV3 Ireland has signed a 20 year broadcasting contract with the Independent Radio and Television Commission in Ireland, and in September 1998 launched the first privately-owned national television network in the Republic of Ireland. At August 31, 1998, the carrying value of the net assets of TV3 Ireland amounted to \$27,659,000. In September 1998, the Company sold 35% of TV3 Ireland to a third party, retaining a 45% shareholding and the right to appoint a majority of TV3 Ireland's board of directors.

3. INVESTMENT IN NETWORK TEN

The Company directly owns 15% of the issued ordinary shares and all of the convertible debentures and subordinated debentures of Network TEN, an Australian television broadcast network. During 1997, the Company provided financing totalling \$266,907,000 to two unassociated Australian-owned companies to allow those companies to acquire an aggregate of 37% of the issued common shares of Network TEN. Through these financing arrangements, the Company's economic interest in Network TEN increased from 57.5% to approximately 66% in December 1996 and to approximately 76% in January 1997. As a result of these financing transactions, the Company's economic interest in Network TEN's earnings in 1998 increased by \$8,397,000 (1997 - \$7,830,000).

In April 1997, the Australian Broadcasting Authority ("ABA") issued a report which concluded that these financial transactions placed the Company in a position to control Network TEN and was therefore in breach of the Broadcasting Services Act. To rectify the breach, in April 1998 the shares at issue were sold to Ten Network Holdings Limited ("Ten Holdings"), a successor company to Telecasters North Queensland Limited, a public company which held 40% of the shares (representing a 20% economic interest) of Network TEN. The Company received net proceeds of an Australian public offering of shares of Ten Holdings, in the amount of A\$355,309,000, as consideration for the sale, realizing a gain on the transaction of A\$99,507,000. After conversion to Canadian dollars, and recognition of deferred foreign currency translation adjustments of \$33,100,000, the accounting gain on sale, expressed in Canadian dollars amounted to \$60,757,000. As a result of this sale, the Company's economic interest in Network TEN returned to 57.5%.

As a result of the economic entitlement to distributions and its contractual right to representation on Network TEN's board of directors, the Company accounts for its interest in Network TEN on the equity basis.

The following selected consolidated financial information of Network TEN has been prepared in accordance with accounting principles generally accepted in Canada. The accounts have been translated to Canadian dollars using the current rate method, whereby assets and liabilities are translated at the rate in effect on the balance sheet dates, and results of operations are translated at the average rates for the periods. During the year ending August 31, 1998, the average rate of exchange used to translate results of operations was A\$1 = C\$0.95 (1997 A\$1 = C\$1.06).

NETWORK TEN

Summary Consolidated Balance Sheets

	As at August 31	
	1998 \$000	1997 \$000
Assets		
Current assets	130,971	165,125
Program rights and other	7,418	1,018
Property and equipment	33,827	41,232
Long-term investments	35,293	35,972
Broadcast licences	254,875	297,738
	462,384	541,085
Liabilities and Shareholders' Equity		
Current liabilities	199,455	148,265
Bank loans and advances	26,973	61,260
Other long-term liabilities	14,841	46,653
Subordinated debentures issued to the Company	40,154	40,154
Shareholders' equity	180,961	244,753
	462,384	541,085

Summary Consolidated Statements of Earnings

	For the twelve months ended August 31	
	1998 \$000	1997 \$000
Revenue		
Operating expenses	479,305	530,516
Operating profit before amortization	302,403	351,958
Amortization of broadcast licences	176,902	178,558
Other amortization	7,746	8,662
	7,310	8,513
	161,846	161,383
Financing expenses	64,569	57,922
Provision for income taxes	97,277	103,461
Earnings before the following	34,826	39,151
Interest in earnings of equity accounted affiliates	62,451	64,310
Net earnings for the period	1,441	1,384
Interest in respect of subordinated debentures held by the Company	63,892	65,694
Earnings for the period before interest in respect of subordinated debentures ⁽¹⁾	58,020	49,796
	121,912	115,490

3. INVESTMENT IN NETWORK TEN (*cont'd*)

Other Consolidated Financial Data

	As at August 31	
	1998 \$000	1997 \$000
Cash flow from operations	111,000	156,000
Distributions paid	<u>161,000</u>	104,000
Capital expenditures	4,000	4,500

(1) The Company's economic interest in Network TEN's earnings, after providing for foreign income tax, is \$74,060,000 (1997 - \$71,489,000).

The excess of the Company's carrying value in Network TEN over its share of the underlying book value of net assets amounted to NIL at August 31, 1998 (1997 - \$210,477,000).

The Australian Taxation Office ("ATO") is presently conducting a review of certain aspects of the affairs of Network TEN. As a result of that work, further information has been sought by the ATO in relation to the circumstances in which the subordinated debentures were issued in December 1992 and the operation of a consultancy agreement with the Company. No assessments have been issued by the ATO in relation to these matters. It is considered that the probable outcome is one which is not likely to have a material effect.

4. OTHER INVESTMENTS

	1998 \$000		1997 \$000	
	Cost	Market Value	Cost	Market Value
WIC Western International Communications Ltd.	381,775	520,000	98,661	116,806
Ulster Television plc	92,006	73,000	-	-
Other	1,017	1,000	-	-
	474,798	594,000	98,661	116,806

During 1998, the Company increased its investment in WIC Western International Communications Ltd. ("WIC") to 11,930,011 Class B non-voting shares, and 320 Class A voting shares, representing an approximate 44% aggregate shareholding in WIC. In August 1998, the Company reached an agreement in principle with the other significant WIC shareholder as to a division of WIC's assets. Under the terms of this agreement, all of WIC's conventional television and television-related entertainment assets and interests in certain new cable television assets would be transferred to CanWest. Completion of this transaction is contingent upon a number of conditions precedent, and the transfer of control of the WIC television assets and cable television assets is subject to the approval of the CRTC. The aggregate consideration for the transfer of these assets is \$950,000,000, which is expected to be settled as follows:

	\$000
Value attributable to shares of WIC held by the Company	520,000
Cash and assumption of certain indebtedness	430,000
	950,000

5. PROPERTY AND EQUIPMENT

Property and equipment are classified as follows:

	1998 \$000		1997 \$000
	Cost	Accumulated amortization	
Land	4,401	-	4,401
Buildings	18,912	8,699	10,213
Broadcast and transmission facilities, and other equipment	190,123	106,057	84,066
Leasehold and land improvements	14,813	4,539	10,274
	228,249	119,295	108,954
	1997 \$000		1998 \$000
	Cost	Accumulated amortization	
Land	4,546	-	4,546
Buildings	19,432	8,468	10,964
Broadcast and transmission facilities, and other equipment	176,260	97,128	79,132
Leasehold and land improvements	6,666	3,127	3,539
	206,904	108,723	98,181

6. BROADCAST LICENCES AND GOODWILL

The Company's broadcasting activities are regulated by various regulatory authorities. Each broadcasting undertaking operates under licences which are granted for varying periods and are subject to certain performance requirements.

	1998 \$000	1997 \$000
Broadcast licences, at cost	316,134	317,413
Accumulated amortization	(57,318)	(50,340)
	258,816	267,073
Goodwill, at cost	33,495	—
Accumulated amortization	(210)	—
	33,285	—
	292,101	267,073

7. OTHER ASSETS

	1998 \$000	1997 \$000
Prepaid expenses	5,625	2,207
Petroleum and natural gas investments	17,462	18,460
Deferred income tax benefits	—	11,199
Pre-operating costs	19,736	2,271
Other	14,445	6,217
	57,268	40,354

8. LONG TERM DEBT

	1998 \$000	1997 \$000
Term bank loans (1)	437,013	299,473
Series A debentures, due February 1998	—	32,888
Note payable bearing interest at 5% per annum, due August 2001	14,374	14,303
Other non-interest bearing debt, due September 1997, collateralized by a letter of credit	—	116,100
Note payable bearing interest at Prime less 2% per annum, due May 2003	4,250	—
Loan payable bearing interest at 8%, due October 1998	2,358	—
	457,995	462,764
Less: portion due within one year	(2,358)	—
Long-term portion	455,637	462,764

(1) Credit facilities provide for term bank loans in maximum amounts of \$1,000,000,000 and \$8,400,000 and mature August 2005 (with an option, subject to bank approval for a one year extension) and January 1999 respectively. The amount of credit available under term facilities decreases periodically until maturity.

Interest costs on a principal amount of \$400,000,000 have been fixed at rates ranging from 5.7% to 5.8% plus a stamping fee for terms ranging from 5 to 10 years. Interest costs are charged at short term bankers' acceptance rates plus 5.72% on a principal amount of \$100,000,000 through the use of an interest rate swap maturing in February 2000. The Company estimates the present value of its obligation under the swaps based on quoted market rates at August 31, 1998 to be NIL (1997 - \$13,500,000). The balance of the debt bears interest at floating rates and is primarily financed through short term bankers' acceptances at rates lower than the prime lending rate.

Principal payments in respect of long-term debt over the next five years are:

	\$000
Year ending August 31, 1999	2,358
2000	—
2001	14,374
2002	—
2003	4,250

In addition to the term facilities described above, the Company has unutilized operating loan facilities payable on demand aggregating \$33,100,000 at floating rates. Book debts, shares of certain subsidiaries, a general security agreement and fixed and floating debentures have been pledged as collateral for bank indebtedness under the existing credit facilities.

9. CAPITAL STOCK

Authorized

Authorized capital consists of an unlimited number of preference shares issuable in series, an unlimited number of multiple voting shares, an unlimited number of subordinate voting shares and an unlimited number of non-voting shares.

The multiple voting shares, the subordinate voting shares and the non-voting shares rank equally on a per share basis in respect of dividends and distributions of capital and are subordinate to the preference shares. Subordinate voting shares carry one vote per share and multiple voting shares carry ten votes per share. Non-voting shares do not vote, except at meetings where the holders of such shares would be entitled by law to vote separately as a class.

Multiple voting shares are convertible into either subordinate voting shares or non-voting shares on a one-for-one basis at any time at the option of the holder. Subordinate voting shares are convertible into non-voting shares on a one-for-one basis at any time at the option of the holder. Non-voting shares are convertible into subordinate voting shares on a one-for-one basis provided the holder is Canadian.

Issued

	1998 \$000	1997 \$000
78,040,908 (1997 - 78,040,908) multiple voting shares	3,252	3,252
62,777,825 (1997 - 59,493,514) subordinate voting shares	332,103	302,356
8,528,337 (1997 - 11,295,785) non-voting shares	77,079	103,697
	412,434	409,305

Changes in outstanding share capital during the two years ended August 31, 1998 were as follows:

	Number of shares	Amount \$000
Multiple voting share capital:		
Balance – August 31, 1997	78,040,908	3,252
Shares issued pursuant to:		
Share purchase plans	39,951	569
Exercise of stock options	968,992	2,305
Dividend reinvestment plan	15,184	253
Conversion from non-voting shares – net	4,296,615	40,561
Balance – August 31, 1998	59,493,514	302,356
Subordinate voting share capital:		
Balance – August 31, 1996	54,172,772	258,668
Shares issued pursuant to:		
Share purchase plans	33,868	881
Exercise of stock options	432,045	944
Dividend reinvestment plan	50,854	1,302
Conversion from non-voting shares – net	2,767,544	26,620
Balance – August 31, 1998	62,777,825	332,103
Non-voting share capital:		
Balance – August 31, 1996	15,592,400	144,304
Shares issued pursuant to:		
Additional costs of public offering	–	(46)
Conversion to subordinate voting shares – net	(4,296,615)	(40,561)
Balance – August 31, 1997	11,295,785	103,697
Shares issued pursuant to:		
Dividend reinvestment plan	96	2
Conversion to subordinate voting shares – net	(2,767,544)	(26,620)
Balance – August 31, 1998	8,528,337	77,079

Share Compensation Plans

The Company's board of directors has approved share compensation plans, the purpose of which is to provide employees and certain directors of the Company and its subsidiaries with the opportunity to participate in the growth and development of the Company through the granting of options and share purchase loans. At any time, the number of subordinate voting and non-voting shares reserved and set aside for purposes of the plans may not exceed 10% of the issued shares of the Company.

Options generally vest over a five year period and are exercisable on a cumulative basis over a ten year period, except that under certain specified conditions the options become exercisable immediately. The exercise price represents the market trading price at the date on which the option was granted.

Under management and employee share purchase plans, employees may purchase subordinate voting shares or non-voting shares from treasury at the market trading price using non-interest bearing short term loans provided by the Company. The shares are held as collateral by a trustee until the loans are repaid.

Changes in outstanding options to purchase subordinate voting shares or non-voting shares for 1998 are as follows:

	1998	1997
Options outstanding, at beginning of year	1,760,437	2,575,067
Changes pursuant to:		
Options granted	150,733	155,412
Options exercised	(432,045)	(968,992)
Options expired	(8,428)	(1,050)
Options outstanding, at end of year	1,470,697	1,760,437

The following options to purchase subordinate voting shares or non-voting shares were outstanding as at August 31, 1998:

Year Granted	Exercise Price	Expiry Date	Number Outstanding
1992	\$1.63 - \$1.82	2002	228,376
1993	\$2.15 - \$2.86	2003	244,258
1994	\$3.58	2004	16,954
1995	\$4.60	2005	34,449
1996	\$7.13 - \$12.92	2006	643,793
1997	\$14.24 - \$22.50	2007	152,234
1998	\$22.95 - \$25.99	2008	150,633
			<u>1,470,697</u>

Dividend Reinvestment Plan

The Company has established a dividend reinvestment plan. Under the terms of this plan, shareholders may, under certain conditions, apply their cash dividends to the purchase of shares from treasury at a price equal to 95% of the average market trading price of the shares.

10. CUMULATIVE TRANSLATION ADJUSTMENTS

The cumulative foreign currency translation adjustments account reflects the net changes in the respective book values of the Company's investments in self-sustaining foreign operations due to exchange rate fluctuations since the respective dates of their acquisition or start-up.

The changes in this account during the years ended August 31, 1998 and 1997 arise from changes in the Australian, New Zealand and Irish currencies relative to the Canadian currency, and changes in the Company's net investment in the book values of international operations.

Changes in this account during the last two years were as follows:

	1998 \$000	1997 \$000
Deferred loss (gain), beginning of the year	14,339	(28,618)
Deferred foreign currency exchange loss during the year	62,653	38,857
Realization of translation gain (loss) due to:		
Divestitures	(33,108)	-
Distributions	(2,300)	4,100
Deferred loss, end of year	41,584	14,339

The balance of cumulative translation adjustments at the end of the year represents net unrealized losses (gains) as follows:

	1998 \$000	1997 \$000
Australian dollar	10,245	8,446
New Zealand dollar	33,662	5,893
Irish punt	(2,323)	-
	41,584	14,339

11. INCOME TAXES

The Company's provision for income taxes reflects an effective income tax rate which differs from the combined Canadian statutory rate as follows:

	1998 \$000	1997 \$000
Income taxes at combined Canadian statutory rates of 44.68% (1997 - 44.74%)	60,132	53,892
Effect of loss carryforwards not previously recognized	-	(3,013)
Effect of non-deductibility of broadcast licence amortization expense	3,434	2,723
Effect of foreign income tax rates differing from Canadian income tax rates	(2,248)	(2,277)
Other	(2,387)	(865)
	58,931	50,460

11. INCOME TAXES (cont'd)

An analysis of the provision for current and deferred income taxes by jurisdiction follows:

	1998 \$000	1997 \$000
Current income taxes		
Canada	48,865	39,376
Other	1,643	871
	50,508	40,247
Deferred income taxes		
Canada	2,640	5,563
Other	5,783	4,650
	8,423	10,213
Provision for income taxes	58,931	50,460

12. STATEMENT OF CHANGES IN FINANCIAL POSITION DISCLOSURES

The following amounts comprise the net change in non-cash operating accounts included in the statements of changes in financial position:

	1998 \$000	1997 \$000
Cash generated (utilized) by:		
Accounts receivable	(14,196)	(9,791)
Film and program rights	(15,895)	(2,239)
Other current assets	(23,076)	(6,489)
Other assets	(5,306)	1,328
Accounts payable and accrued liabilities	21,594	(1,655)
Income taxes payable	(15,134)	11,062
Deferred revenue	8,341	-
Film and program accounts payable	12,083	145
	(31,589)	(7,639)

The following amounts were paid on account of interest and income taxes:

	1998 \$000	1997 \$000
Interest	29,967	12,000
Income taxes	67,960	31,000

13. RETIREMENT ASSETS AND OBLIGATIONS

The Company and certain of its subsidiaries maintain defined contribution pension plans. Contributions to these plans are expensed as incurred. In addition, one of the Company's subsidiaries maintains certain defined benefit pension plans. As at August 31, 1998, the market value of retirement fund assets under these plans were \$14,903,000 (1997 - \$15,037,000). These assets were available to meet the present value of accrued retirement obligations of \$11,493,000 (1997 - \$8,876,000).

14. SEGMENTED INFORMATION

The Company operates primarily within the television broadcasting industry in Canada, New Zealand and Australia.

Geographic segmented information in thousands of Canadian dollars is as follows:

	Canada \$000	New Zealand \$000	Corporate \$000	Consolidated \$000
Revenue				
1998	434,508	110,786	-	545,294
1997	365,312	95,074	-	460,386
Operating profit before amortization				
1998	170,397	23,521	(13,112)	180,806
1997	139,887	25,549	(16,216)	149,220
Identifiable assets				
1998	474,047	180,610	691,241	1,345,898
1997	326,041	188,638	654,658	1,169,337

Selected financial information for Network TEN is presented in Note 3.

15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. UNITED STATES ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In certain aspects GAAP as applied in the United States ("U.S.") differs from Canadian GAAP.

(a) Principal Differences

Foreign Currency Translation

- (a) In the U.S., deferral of exchange gains and losses on the translation of long-term foreign currency monetary items is not permitted. Such gains and losses are included in earnings in the period they arise.
- (b) In the U.S., distributions from self-sustaining foreign operations do not result in a realization of the cumulative translation adjustments account. Realization of such foreign currency translation adjustments occurs only upon the sale of all or a part of the investment giving rise to the translation adjustments.

Pre-operating Costs

In the U.S., pre-operating costs are expensed in the period incurred. In accordance with Canadian GAAP, the Company defers pre-operating costs until commencement of commercial operations and amortizes the costs over a period of five years.

Income Taxes

Under U.S. GAAP, income taxes are provided using the liability method, as opposed to the deferral method employed in Canada. Under the liability method, deferred tax assets and liabilities are recognized for the differences between the financial statement carrying amounts and the respective tax basis of assets and liabilities (temporary differences) at the enacted tax rates.

Investment in Marketable Securities

In the U.S. investment assets classified as "available for sale" are carried at market, and unrealized gains and losses are included net of tax in a separate component of shareholders' equity. In accordance with Canadian GAAP, the Company carries its investment in marketable securities at cost.

Stock Based Compensation

U.S. GAAP encourages companies to include in compensation cost the fair value of stock options granted.

The fair value of the options granted during 1998 was estimated using the Black-Scholes option-pricing model with the assumptions of a dividend yield of 1.64% (1997 - 1.24%), an expected volatility of 35% (1997 25.43%), a risk-free interest rate range of 5.2% to 5.45% (1997 - 5.4%) and an expected life of 5 to 7 years (1997 - 10 years).

The total value of 150,733 stock options that were granted by the Company during 1998 was \$1,340,000 (during 1997, 155,412 stock options were granted with a total value of \$1,614,000). Of these amounts, the cost of stock compensation expense for the year ended August 31, 1998 would be \$719,000 (1997 - \$674,000). An unrecognized value of \$2,800,000 will be charged to pro forma net earnings in future years according to the vesting terms of the options. The resulting pro forma net earnings and fully diluted earnings per share under US GAAP for the year ended August 31, 1998 are \$188,762,000 and \$1.26 respectively (1997 - \$135,131,000 and \$0.90 respectively).

The effects of applying this method in this pro forma disclosure are not indicative of future amounts. The Company's adoption for pro forma disclosure of this method does not apply to awards prior to 1996, and additional awards in future years are anticipated.

(b) Reconciliation of Financial Statements

(i) Consolidated Statements of Earnings

The following is a reconciliation of net earnings reflecting the differences between Canadian and U.S. GAAP:

	Years ended August 31	
	1998	1997
	\$000	\$000
Net earnings in accordance with Canadian GAAP	200,117	141,862
Adjustment to expenses for pre-operating costs – net of tax of \$6,800	(12,936)	–
Adjustment to expenses for deferred foreign exchange loss on foreign denominated debt	–	243
Adjustment to eliminate the loss (gain) arising from realization of cumulative translation adjustments	2,300	(4,100)
Adjustments relating to the liability method of accounting for income taxes		
Amortization of broadcast licences	(6,265)	(6,940)
Provision for income taxes	6,265	4,740
Net earnings in accordance with U.S. GAAP	189,481	135,805
Net earnings per share		
Basic	\$1.27	\$0.92
Fully Diluted	\$1.26	\$0.91

16. UNITED STATES ACCOUNTING PRINCIPLES (*cont'd*)

(ii) Consolidated Balance Sheets

Balance sheet captions restated to reflect the above items, except for the effects of proportionate consolidation, are presented below:

	As at August 31	
	1998 \$000	1997 \$000
Assets		
Current assets	286,508	248,880
Investment in Network TEN	111,121	407,596
Property and equipment	108,953	98,181
Broadcast licences and goodwill	465,942	435,721
Investment in marketable securities	593,961	116,806
Other assets	53,922	42,725
	1,620,407	1,349,909
Liabilities and shareholders' equity		
Current liabilities	151,218	114,443
Long-term debt	455,637	462,764
Other liabilities	17,082	11,883
Deferred income taxes	270,419	216,420
	894,356	805,510
Shareholders' equity	726,051	544,399
	1,620,407	1,349,909

A reconciliation of shareholders' equity reflecting the differences between Canadian and U.S. GAAP is set out below:

	As at August 31	
	1998 \$000	1997 \$000
Shareholders' equity in accordance with Canadian GAAP	686,041	551,064
Adjustments relating to pre-operating costs, net of tax of \$6,800	(12,936)	-
Adjustments relating to deferred foreign exchange losses	(5,088)	(5,088)
Adjustments relating to the liability method of accounting for income taxes	(13,461)	(13,461)
Adjustment to reflect unrealized gain on other investments net of tax of \$47,668 (1997 - \$6,261)	71,495	11,884
Shareholders' equity in accordance with U.S. GAAP	726,051	544,399

(iii) Other

Deferred Income Tax Balances

Components of the balances of deferred income tax assets and liabilities calculated under U.S. GAAP are as follows:

	1998 \$000	1997 \$000
Non-current assets:		
Tax benefit of unutilized losses	6,800	11,199
Non-current liabilities:		
Differences in tax and accounting bases of depreciating property and equipment	5,905	3,890
Differences in tax and accounting bases of broadcast licences	186,829	181,636
Tax on unrealized gain on other investments	47,668	6,261
Timing differences in investments in non-broadcasting activities	17,393	17,361
Other	12,624	7,272
	270,419	216,420

SUMMARIZED QUARTERLY FINANCIAL INFORMATION

(in thousands of dollars, except as noted)

(Unaudited)

For the three month periods ended

	1998				1997			
	Aug-31	May-31	Feb-28	Nov-30	Aug-31	May-31	Feb-28	Nov-30

COMBINED OPERATING RESULTS⁽¹⁾

Revenue	170,586	223,399	207,120	270,330	203,149	224,687	187,467	219,815
Operating profit before amortization (EBITDA)	41,269	78,103	69,068	112,673	48,731	78,647	57,157	89,796
Earnings before gain on sale of an 18.5% economic interest in Network TEN and realized translation adjustments	18,171	39,790	30,902	56,497	24,543	36,481	27,398	49,340
Gain on sale of an 18.5% economic interest in Network TEN and realized translation adjustments	—	60,757	—	(6,000)	—	—	—	4,100
Net earnings	18,171	100,547	30,902	50,497	24,543	36,481	27,398	53,440
Cash flow from operations ⁽²⁾	13,866	50,569	42,687	71,896	56,990	48,660	38,606	60,909

PER SHARE INFORMATION⁽¹⁾

Earnings before gain on sale of an 18.5% economic interest in Network TEN and realized translation adjustments								
Basic	\$0.12	\$0.27	\$0.21	\$0.38	\$0.17	\$0.25	\$0.19	\$0.33
Fully diluted	\$0.12	\$0.26	\$0.21	\$0.38	\$0.17	\$0.24	\$0.18	\$0.33
Net earnings								
Basic	\$0.12	\$0.67	\$0.21	\$0.34	\$0.17	\$0.25	\$0.19	\$0.36
Fully diluted	\$0.12	\$0.67	\$0.21	\$0.34	\$0.17	\$0.24	\$0.18	\$0.36
Cash flow from operations								
Basic	\$0.09	\$0.34	\$0.29	\$0.48	\$0.38	\$0.33	\$0.26	\$0.41
Fully diluted	\$0.09	\$0.34	\$0.28	\$0.48	\$0.38	\$0.32	\$0.26	\$0.41

TRADING STATISTICS

Trading volumes								
Subordinate voting shares – TSE	5,205,526	4,300,076	5,259,613	5,435,967	5,977,496	7,055,384	6,085,605	4,977,616
Non-voting shares – TSE	729,367	494,687	1,477,830	477,191	1,042,314	248,062	333,397	597,508
Non-voting shares – NYSE	453,100	1,545,700	1,663,100	607,100	3,541,400	2,215,600	2,448,600	1,996,500
Market price of subordinate voting shares								
High	\$27.00	\$28.25	\$26.90	\$28.50	\$24.65	\$20.40	\$18.95	\$14.85
Low	\$20.55	\$25.50	\$22.75	\$22.55	\$20.00	\$17.60	\$14.50	\$13.70
Market price of non-voting shares – TSE								
High	\$27.00	\$28.35	\$26.90	\$28.20	\$24.45	\$20.30	\$18.85	\$15.00
Low	\$20.60	\$25.00	\$22.60	\$22.75	\$20.00	\$17.65	\$14.50	\$13.75
Market price of non-voting shares – NYSE								
High	USD \$18.00	USD \$19.63	USD \$18.69	USD \$20.44	USD \$17.88	USD \$15.56	USD \$13.88	USD \$11.00
Low	USD \$13.19	USD \$17.50	USD \$16.88	USD \$16.38	USD \$14.50	USD \$14.37	USD \$9.75	USD \$8.88

(1) Operating results and per share information have been prepared on a combined basis, proportionately consolidating the company's 57.5% interest (76% to April 1998, 66% to December 31, 1996, and 57.5% to October 31, 1996) in Network TEN. Net earnings are the same as net earnings reported in the audited consolidated financial statements.

(2) Earnings before amortization, deferred income taxes, interest in earnings of equity accounted affiliates, realization of cumulative translation adjustments, gain on disposition of long-term investment and minority interest.

12 – YEAR FINANCIAL REVIEW

For the years ended August 31

(in thousands of dollars, except as noted)

	1998	1997	1996	1995
COMBINED OPERATING RESULTS⁽¹⁾				
Revenue	871,435	835,118	628,018	552,163
Operating profit before amortization (EBITDA)	301,113	274,331	206,318	158,341
Operating profit margin	34.6%	32.8%	32.9%	28.7%
Equity in earnings of equity accounted affiliates	970	971	1,234	9,131
Earnings from continuing operations before gain on sale of an 18.5% economic interest in Network TEN and realized translation adjustments	145,360	137,762	105,589	79,981
Net earnings	200,117	141,862	102,170	70,381
Cash flow from operations ⁽³⁾	179,018	205,165	137,176	97,061
PER SHARE INFORMATION⁽¹⁾				
Earnings from continuing operations before gain on sale of an 18.5% economic interest in Network TEN and realized translation adjustments				
Basic	\$ 0.97	\$ 0.93	\$ 0.75	\$ 0.51
Fully diluted	\$ 0.97	\$ 0.92	\$ 0.74	\$ 0.51
Earnings from continuing operations				
Basic	\$ 1.34	\$ 0.96	\$ 0.75	\$ 0.61
Fully diluted	\$ 1.33	\$ 0.95	\$ 0.74	\$ 0.51
Cash flow from operations				
Basic	\$ 1.20	\$ 1.38	\$ 0.98	\$ 0.71
Fully diluted	\$ 1.19	\$ 1.37	\$ 0.96	\$ 0.61
COMBINED FINANCIAL POSITION⁽¹⁾				
Total assets	1,459,309	1,373,483	948,406	711,711
Capital expenditures	46,390	26,753	15,635	12,591
Long-term debt	471,146	508,898	223,640	228,171
Shareholders' equity	686,041	551,064	475,035	257,341
Shareholders' equity attributable to equity shares	686,041	551,064	475,035	257,341
Return on average equity	32.35%	27.65%	27.90%	31.30%
Weighted average shares outstanding	149,158,918	148,265,654	140,527,809	137,956,061
TRADING STATISTICS				
Trading volumes				
Subordinate voting shares – TSE	20,201,182	24,096,101	17,796,627	19,098,201
Non-voting shares – TSE	3,179,075	2,221,281	565,847	–
Non-voting shares – NYSE	4,269,000	10,202,100	7,059,500	–
Market price of subordinate voting shares				
High	\$ 28.50	\$ 24.65	\$ 13.75	\$ 7.11
Low	\$ 20.55	\$ 13.70	\$ 6.24	\$ 4.00
Market price of non-voting shares – TSE				
High	\$ 28.35	\$ 24.45	\$ 13.50	–
Low	\$ 20.60	\$ 13.75	\$ 12.00	–
Market price of non-voting shares – NYSE				
High	USD\$ 20.44	USD\$ 17.88	USD\$ 9.75	–
Low	USD\$ 13.19	USD\$ 8.88	USD\$ 8.75	–

(1) Operating results and per share information have been prepared on a combined basis, proportionately consolidating the company's 57.5% interest (76% to April 1998, 66% to December 31, 1996, and 57.5% to October 31, 1996) in Network TEN. Net earnings are the same as net earnings reported in the audited consolidated financial statements.

(2) Financial results are presented on a pro forma basis which fully consolidates the accounts and historical results of Global Ventures Western Ltd. and its subsidiaries. Prior to the acquisition of control of this subsidiary in December 1989, the company accounted for its 61% equity investment using the proportionate method of consolidation.

(3) Earnings before amortization, deferred income taxes, interest in earnings of equity accounted affiliates, realization of cumulative translation adjustments, gain on disposition of long-term investment and minority interest.

1994	1993	1992	1991	1990 ⁽²⁾	1989 ⁽²⁾	1988 ⁽²⁾	1987 ⁽²⁾
462,136	406,368	243,850	225,262	212,418	186,919	141,624	125,677
122,089	92,866	65,219	59,225	49,051	40,479	31,902	31,587
26.4%	22.9%	26.7%	26.3%	23.1%	21.7%	22.5%	25.1%
1,191	—	—	—	—	—	—	—
44,716	25,956	14,860	9,023	2,437	6,291	6,740	6,401
44,716	25,956	14,860	9,023	2,437	6,291	6,740	6,401
68,123	46,671	33,412	24,197	14,395	16,592	18,051	15,044
\$ 0.35	\$ 0.21	\$ 0.13	\$ 0.10	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.05
\$ 0.34	\$ 0.20	\$ 0.13	\$ 0.10	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.05
\$ 0.35	\$ 0.21	\$ 0.13	\$ 0.10	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.05
\$ 0.34	\$ 0.20	\$ 0.13	\$ 0.10	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.05
\$ 0.53	\$ 0.39	\$ 0.29	\$ 0.27	\$ 0.15	\$ 0.16	\$ 0.18	\$ 0.15
\$ 0.52	\$ 0.35	\$ 0.27	\$ 0.27	\$ 0.15	\$ 0.16	\$ 0.18	\$ 0.15
661,004	554,105	349,530	321,308	295,711	199,185	203,350	167,127
9,135	8,309	5,860	4,359	6,035	4,907	11,510	16,290
248,670	301,442	182,377	241,547	249,285	9,357	15,879	6,275
192,491	106,439	79,511	6,307	(1,211)	51,649	48,147	43,684
192,491	106,439	79,511	6,307	(1,211)	31,649	28,147	23,684
29.90%	28.00%	34.80%	354.10%	16.00%	21.00%	26.00%	26.70%
128,581,306	120,830,639	116,744,926	88,646,104	88,646,104	88,646,104	88,646,104	88,646,104
27,682,604	11,765,261	10,940,819	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
\$ 5.34	\$ 3.27	\$ 2.19	—	—	—	—	—
\$ 2.88	\$ 1.89	\$ 1.60	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—

CANWEST SHARES AND STOCK EXCHANGE LISTINGS

The Subordinate Voting Shares and Non-Voting Shares of the Company are listed on the Toronto Stock Exchange under the symbols CGS.S and CGS.A respectively. The Non-Voting Shares of the Company are also listed on the New York Stock Exchange under the symbol CWG.

Issued and outstanding shares as at August 31, 1998 were comprised of:

● Multiple Voting Shares	78,040,908
● Subordinate Voting Shares	62,777,825
● Non-Voting Shares	8,528,337

Each of the share classes has a different number of votes per share. There are 10 votes per Multiple Voting Share and one vote per Subordinate Voting Share. Non-Voting Shares do not vote, except at meeting where the holders of such shares would be entitled by law to vote separately as a class.

CanWest Global Communications Corp. is a constrained-share company, of which at least 66.7% of the voting shares must be beneficially owned by persons who are Canadian citizens or corporations controlled in Canada. There is no limit on the number of non-voting shares that a non-Canadian can hold.

Any Canadian citizen purchasing Non-Voting Shares can present them for registration as either Subordinate Voting Shares or Non-Voting Shares. Non-Voting Shares can be purchased by anyone, Canadian or otherwise. Subordinate Voting Shares purchased by a non-Canadian will, upon registration of transfer, be converted into Non-Voting Shares.

DIVIDENDS

The Company pays cash dividends on a semi-annual basis. Each class of shares participates equally in dividends. For the year ended August 31, 1998, semi-annual cash dividends of 12.5¢

and 15¢ per share were paid in October 1997 and April 1998 respectively.

DIVIDEND RE-INVESTMENT PLAN

Under the terms of the Company's Dividend Re-investment Plan, all shareholders have the right to apply their dividends to purchase Subordinate Voting Shares or Non-Voting Shares from the Company's treasury at a price equal to 95% of the weighted average of the closing prices for the shares on each of the five trading days immediately preceding the dividend payment date.

REGISTRAR AND TRANSFER AGENTS

The Montreal Trust Company of Canada,
Winnipeg, Canada

Bank of Nova Scotia Trust Company of New York,
New York City, USA

AUDITORS

PricewaterhouseCoopers LLP, Winnipeg, Canada

LEGAL COUNSEL

Pitblado Buchwald Asper, Winnipeg, Canada

Tory Tory Deslauriers & Binnington, Toronto, Canada

Osler Hoskin & Harcourt, Toronto, Canada

Kaye, Scholer, Fierman, Hays & Handler, LLP,
New York City, USA

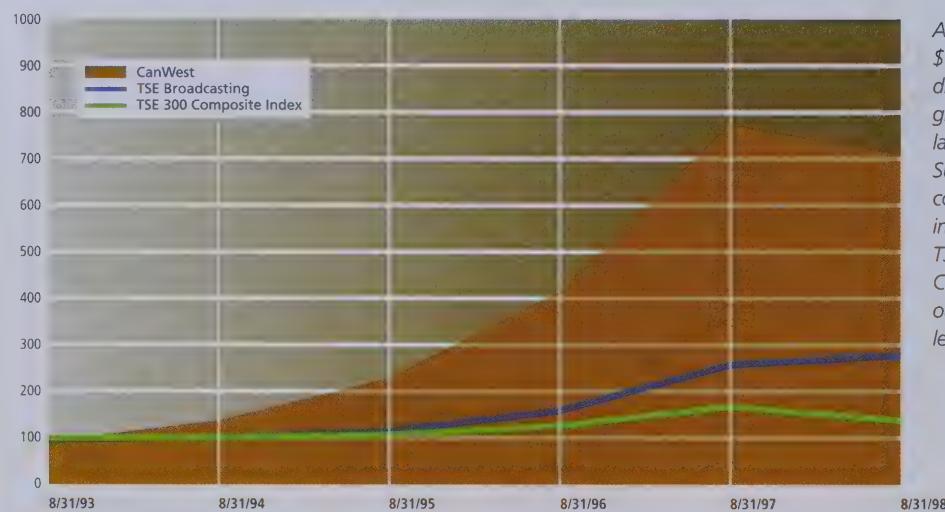
Hogan & Hartson, Washington D.C., USA

Clayton Utz, Sydney, Australia

Russell McVeigh McKenzie Bartleet & Co.,
Auckland, New Zealand

A & L Goodbody, Dublin, Republic of Ireland

GROWTH IN MARKET VALUE OF INVESTMENT IN CANWEST



Assuming an investment of \$100 and the reinvestment of dividends, this chart depicts the growth in market value for the last five years of CanWest's Subordinate Voting Shares, compared to the same \$100 invested in the TSE 300 and the TSE Broadcasting indices. CanWest's shares have clearly out-performed both of these leading comparatives.

FINANCIAL REPORTING CALENDAR

Registered shareholders of the Company automatically receive the Annual Report, Quarterly Reports, the Annual Information Form, the Management Proxy Circular relating to the Annual General Meeting, and various other important documents and notices distributed by the Company.

Following are the anticipated dates on which the Company will release its fiscal 1999 Quarterly Reports to shareholders:

- First quarter financial results:
January 14, 1999
- Second quarter and six months financial results:
April 14, 1999
- Third quarter and nine months financial results:
July 7, 1999
- Fourth quarter and year end financial results:
November 9, 1999

EXECUTIVE STOCK OPTION PLAN

The Company has adopted an Executive Stock Option Plan under which eligible CanWest executives are entitled to receive options to acquire Subordinate Voting Shares or Non-Voting Shares. The Board of Directors administers the Executive Stock Option Plan and establishes the option price on the date on which any options are granted. In all cases, the option price has been the market value of the shares as at the date the option was granted. Options vest in equal annual installments over a five-year period in the 12th month of each year of the option, unless the Board of Directors determines otherwise. The aggregate number of Subordinate Voting Shares and Non-Voting Shares which have been reserved for issue under this

plan, together with any Subordinate Voting Shares and Non-Voting Shares reserved for issue under any options for service or other employee stock purchase or options plans established from time to time, may not exceed an aggregate of approximately 13.8 million Subordinate Voting Shares or Non-Voting Shares, and no individual optionee may hold options to purchase Subordinate Voting Shares or Non-Voting Shares in excess of 5% of the issued outstanding Subordinate Voting Shares or Non-Voting Shares at the date of the grant of the option.

During fiscal 1998, 142,290 options were granted under the Executive Stock Option Plan, at prices ranging from \$22.95 to \$23.90 per share.

SHARE PERFORMANCE – SUBORDINATE VOTING SHARES (TSE)

CanWest's stock price has increased 1,152% since its public flotation on the Toronto Stock Exchange in October 1991. \$1,000 invested in CanWest at the time of the IPO, was worth \$12,435 on August 31, 1998, after assuming re-investment of dividends.

UNREALIZED GAINS AND LOSSES

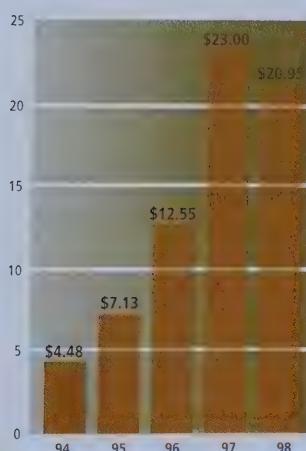
CanWest and its affiliated companies hold investment positions in several unconsolidated or uncombined public companies. Their aggregate market value as at August 31, 1998 was:

(in thousands of C\$)

- Market Value \$ 622,570
- Cost \$ 492,424
- Unrealized Pre-Tax Gain \$ 130,146

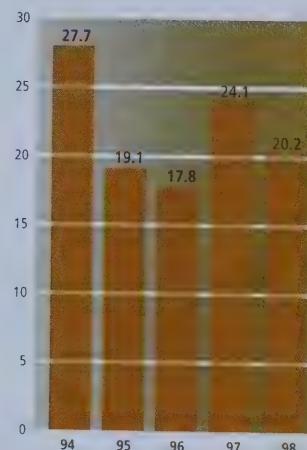
CLOSING MARKET SHARE PRICE

As at August 31
Subordinate Voting Shares (TSE)



YEARLY TRADING VOLUMES

Subordinate Voting Shares (TSE)
(in millions of shares)



BOARD OF DIRECTORS

The CanWest Global Communications Corp. Board of Directors is comprised of nine members – five are employees of the Company, while the other four are independent Directors. The full Board meets quarterly while the Executive Committee of the Board

– comprised of I.H. Asper, Peter Viner, David Asper, Leonard Asper, Dr. Lloyd Barber and Donald Gordon – meets every six weeks.

While all Directors are profiled below, those employed by the Company are more extensively featured elsewhere in this report.



I. H. Asper, O.C., Q.C., LL.D.

Mr. Asper is the Company founder, and Executive Chairman. He focuses his attention on the Company's long-term goals and the path which will be charted to reach them.



Jalynn H. Bennett

Ms. Bennett is President of Jalynn Bennett and Associates Ltd., a Toronto-based consulting firm. She has served, and continues to serve on a number of corporate and not-for-profit boards in Canada. Ms. Bennett was elected to the Board of Directors in January 1998.



David A. Asper

Mr. Asper is an Executive Vice-President of the Company. He was elected to the Board of Directors in 1997.



The Hon. Willard Z. Estey, C.C., Q.C.

Mr. Estey has been a practicing lawyer, Chief Justice of Ontario and a Justice of the Supreme Court of Canada. He has served on three Royal Commissions, and is a Companion of the Order of Canada. Mr. Estey has served on the Board of Directors since 1990.



Gail S. Asper

Ms. Asper is Corporate Secretary of the Company. She has been a member of the Board of Directors since 1990.



Donald M. Gordon, F.C.A.

Mr. Gordon is President of a Winnipeg-based private investment company. A Fellow of the Institute of Chartered Accountants of Manitoba, he has been associated with CanWest for many years. Mr. Gordon has been a member of the Board since 1985.



Leonard J. Asper

Mr. Asper is Executive Vice-President and Chief Operating Officer of the Company. He was elected to the Board of Directors in 1997.



Peter D. Viner

Mr. Viner is President and Chief Executive Officer of the Company. He was elected to the Board in January 1998.



Dr. Lloyd I. Barber, C.C., LL.D.

Dr. Barber is President Emeritus of the University of Regina. He was appointed an Officer of the Order of Canada in 1978 and was elevated to Companion of the Order in 1993. He serves as a Director of several major public Canadian companies and was elected to the Board in 1992.

OFFICERS

I.H. Asper, O.C., Q.C. LL.D
Executive Chairman

Peter D. Viner
President &
Chief Executive Officer

Leonard J. Asper
Executive Vice-President &
Chief Operating Officer

Thomas C. Strike
Senior Executive Vice-President

David A. Asper
Executive Vice-President

Harry T. Ethans
Executive Vice-President,
Corporate Development

Gail S. Asper
Corporate Secretary

J. Gregory Gilhooly
General Counsel &
Director, Corporate Development

Peter M. Liba, C.M.
Executive Director, Corporate Affairs

John E. Maguire
Vice-President, Finance &
Chief Financial Officer

CORPORATE DIRECTORY

CORPORATE OFFICE

3100 TD Centre, 201 Portage Avenue, Winnipeg, Manitoba, Canada R3B 3L7
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Website: <http://www.canwestglobal.com>

CANADIAN OPERATIONS

GLOBAL TELEVISION NETWORK

81 Barber Greene Road,
Don Mills, Ontario M3C 2A2
Telephone: (416) 446-5311 or,
1-800-387-8001 (toll free)
Fax: (416) 446-5449

James F. Sward,
President & Chief Executive Officer

GLOBAL ONTARIO

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Kevin Shea, President

GLOBAL WINNIPEG

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Fax: (204) 231-0363

Monte Graham, General Manager

GLOBAL REGINA

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Fax: (306) 721-4817

Greg Campbell, General Manager

GLOBAL SASKATOON

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Fax: (306) 665-6069

Stan Schmidt, General Manager

GLOBAL VANCOUVER

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Fax: (604) 874-8225

Jim Rusnak, President & General Manager

CANVIDEO TELEVISION SALES

Suite 1300, 220 Yonge Street,
Toronto, Ontario M4S 2C6
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Fax: (416) 482-6544

Ed Wood,
Vice-President & General Manager

FIREWORKS ENTERTAINMENT INC.

Third Floor, 111 George Street,
Toronto, Ontario M5A 2N4
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Fax: (416) 364-4388

Jay Firestone,
President & Chief Executive Officer

GLOBAL SAINT JOHN

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Saint John, New Brunswick E2L 4V1
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Fax: (506) 632-5965

Bill Albert, Sales/Station Manager

GLOBAL QUÉBEC

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1600 boul. de Maisonneuve est
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Fax: (514) 521-2829

100 rue Myrand,
Ste-Foy, Québec G1V 2W3
Telephone: (418) 682-2020
Fax: (418) 682-2620

Suzanne Lapalme, General Manager

INTERNATIONAL OPERATIONS

CANWEST PACIFIC COMMUNICATIONS PTY LTD.

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East Sydney, NSW
P.O. Box 427, King's Cross, Australia 2011
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Fax: (61) (2) 9332-4451

Gerald Noble, *Chief Executive Officer*

CANWEST INTERNATIONAL COMMUNICATIONS INC.

Enfield House, Upper Collymore Rock,
St. Michael, Barbados
Telephone: (246) 437-6031
Fax: (246) 437-0780

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The Company has addressed the Year 2000 issue and has developed plans to ensure that significant business systems failure will not occur. This plan includes the assessment of potential problems, replacement or upgrading of computer and telecommunications hardware and software, testing of business and financial systems, and review of the state of readiness of key suppliers and customers.

The Company is currently engaged in the assessment phase. At the present time, the majority of the Company's business and support systems have already been determined to be compliant. Accordingly, the Company believes that its internal Year 2000 issues are being addressed adequately, and expects to avoid any material interruption to normal business practices.

The Company, despite its own commitment to manage and mitigate risk, cannot with absolute assurance quantify all financial and operational consequences related to the Year 2000 issue, given the implicit business interdependencies that exist with suppliers and other third parties, which may also be impacted by these issues. As such, contingency plans are being developed to address the potential failure of third parties to deal with the Year 2000 issue, in the event that some of their systems are not Year 2000-compliant, on a timely basis.

AWARDS

CanWest's 1997 Annual Report to Shareholders was a multiple winner in the Communicator Awards, receiving an Award of Excellence in the "Annual Report/Corporations" category and another in the "Design/Interior" category. It also won a "Best in the Industry of Entertainment" at the Nicholson Awards Competition.

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